

GIC COMMISSION MEETING

Thursday, May 2, 2019

8:30 A.M. – 10:30A.M.

Charles F. Hurley Building

19 Staniford Street

Boston, MA 02114

MINUTES OF THE MEETING

NUMBER: Six Hundred Forty-four
DATE: May 2, 2019
TIME: 8:30 AM
PLACE: John W. McCormack Building, Conference Rooms 1&2, 21st Floor, 1 Ashburton Place, Boston, MA 02108

Members Present:

VALERIE SULLIVAN (Chair, Public Member)
GARY ANDERSON, (Commissioner of Insurance) Designee Matt Veno
MICHAEL HEFFERNAN (Secretary of ANF) Designee Elizabeth Denniston
ADAM CHAPDELAINE (Town of Arlington--Massachusetts Municipal Association)
THERON R. BRADLEY (Public Member)
EDWARD T. CHOATE (Public Member)
CHRISTINE HAYES CLINARD, ESQ. (Public Member)
TAMARA P. DAVIS (Public Member)
JANE EDMONDS (Retiree)
JOSEPH GENTILE (AFL-CIO, Public Safety Member)
EILEEN P. MCANNENY (Public Member)
TIMOTHY D. SULLIVAN (Massachusetts Teachers Association)
KEVIN DRAKE (Council 93, AFSCME,AFL-CIO)
ELIZABETH CHABOT, NAGE

Not Present:

BOBBI KAPLAN (NAGE)
MELISSA MURPHY-RODRIGUES (Massachusetts Municipal Association)
ANNA SINAIKO, Ph.D. (Health Economist)

I. Approval of Meeting Minutes

The Chair called the meeting to order at 8:32am. She welcomed everyone to the meeting and asked if everyone had a chance to review the minutes from February 28, 2019 and if there were any questions or comments. Hearing none, the Chair asked for a motion to approve the minutes. Commissioner Edmonds made the motion to approve, seconded by Commissioner Choate. The motion passed with Commissioners McAnneny and Bradley abstaining.

The Executive Director reviewed the agenda and meeting goals. The Executive Director then turned the meeting over to the Chair.

The Chair welcomed a new Commissioner, Elizabeth Chabot (Liz) who had been appointed to the NAGE seat, formerly held by Margaret Thompson. The Chair indicated that there was also another new Commissioner, Melissa Murphy Rodrigues, who had been unable to attend. Ms. Rodrigues is the Sudbury town manager and will join the Commission at the next meeting filling the empty MMA seat.

[Secretary Heffernan entered 8:35am.]

II. Director's Report

The Executive Director indicated that she had met with Representative Jan Benson, who is the House co-chair of the Joint Committee on Health Care Financing. Healthcare Finance had held its first meeting focusing primarily on Pharmacy. Prescription drug access and cost will be central to any major comprehensive healthcare reform legislation in the upcoming session.

The Director of Government Affairs was tracking over 300 pieces of legislation reflecting the high level of interest in the number of issues related to our health care system. As far as the budget, the house passed its budget. The GIC line items were fully funded. The Senate was expected to release its budget on May 7, 2019. The GIC will be working closely with the administration to identify any changes that might impact the GIC.

The Executive Director has had further communication with the AFL-CIO regarding their latest letter. The Unions had expressed interest in a more general discussion of healthcare and a personal engagement. The GIC responded and will be inviting Steve Tolman and other Union representatives to come to the GIC to have a discussion with the staff. She hoped this will lead to a more constructive dialogue about what actions we may actually be able to take together.

With regard to Open Enrollment, the Executive Director reminded everyone that the GIC staff had been working towards a more automated, less paper based environment. It had narrowed down the use of paper that was required for benefit decision guides, with the hope that this would lead to more

information being obtained on the website. As a result, the GIC produced a fraction of the hard copies that it had produced in the past, resulting in a 1.2 million reduction in paper products (pages) yielding approximately \$100,000.00 in savings. This was a good start for the GIC's push towards increased use of digital channels in the future.

However, there were some bumps in the process. There were some errors in the printed guides that went to the active and non-Medicare members (they did not affect Medicare members.) The digital versions were immediately corrected. The GIC staff worked with coordinators and made sure they had inserts for the physical guides and sent out an email blast to members; labels and inserts were also used to correct material distributed at the benefit fairs. . The best way to manage errors in the future would be to rely entirely on digital (not paper) communication.

The Executive Director also reported that in the May 29th newsletter from the Mass Retirees, known as the "Voice," the monthly GIC insurance rate table incorrectly listed Harvard Pilgrim, Fallon and Tufts as health plans closed to retired members. The GIC spoke with the Mass Retirees and they corrected their public information and notified their members of the mistake.

The Commission will hear from Paul Murphy, Director of Operations, at the next meeting regarding annual enrollment, including numbers and the benefit fairs.

In the continuing drive towards a more digital platform, the Executive Director noted that health plan handbooks would be primarily digital this year. Also, the GIC had already purchased equipment to live stream its meetings in the future. Training on this equipment should start to take place in early June with the goal of live streaming the Commission's first meeting in FY20. It will also include streaming of trainings and webinars.

One of the most common questions the GIC staff hears from retirees are regarding turning 65. The GIC created a "turning 65" video to provide answers to these common questions and played it for the Commissioners. The Chair inquired if the video would be posted on YouTube for the public to view. The Executive Director said they would take that into consideration, as this is targeting not just members turning 65, but also their families and it could be helpful for all members who often look for information on the internet before they go somewhere else for answers.

Commissioner Choate asked if a member is on an active plan and they do not retire, do they stay on the Non-Medicare plan? The Executive Director responded affirmatively, the member would stay on the regular GIC plan. The Chair inquired about the number of employees that turn age 65 and choose to continue working. The Director of Operations advised that the GIC only contacts members that are retired and turning age 65 (approximately 500-660 per month). Members who are not retired and continue working at age 65 are not contacted by GIC. The Operations Director estimated that there are probably less than 100 employees a month who turn age 65 and continue working.

There was a question regarding the out of pocket report noted on the agenda. The Executive Director advised that the “out of pocket” report will be reviewed at the June 6th Commission meeting. The Executive Director then discussed a number of staff transitions including, Karin Eddy, the GIC’s Director of Administrative Services and HR, who was moving to the Human Resource Division in a Senior Analyst Role. The Executive Director thanked Karin for all her hard work over many years and asked that the Commission give her warm wishes and applause.

The Executive Director noted that the GIC had been actively recruiting for program managers. Commissioner Edmonds asked about the diversity of the applicant pool, indicating it was very important that the GIC staff is representative of its members and the general population. The Executive Director advised it was a very diverse candidate pool.

III. Governance By-Laws (Discussion and VOTE)

Commissioner Davis opened a discussion regarding the work of the governance sub-committee. They will be recommending the By-laws for approval and a vote. She reminded the Commission that a 2/3 majority vote is required to approve By-laws. Commissioner Davis stated she was honored to have such a wonderful committee that has spent many, many hours making sure the Commission has an excellent foundation. She expressed the GIC has never really had written By-laws and she considers this very important.

[Commissioner Drake entered at 9:00 am]

She reviewed the makeup of the Governance Committee and thanked the General Counsel for his help staffing the Committee. Commissioner Davis described the process the sub-committee had followed in drafting the By-laws including what it looked at for examples and its decision making process. The sub-committee tried to keep the By-laws as simple as possible so a lawyer would not be necessary to understand them. The sub-committee compared some of the provisions to the statutes to see what they could or could not do and tried to make sure the By-laws were compliant with them. Commissioner Davis advised that the statutes provided the authority to establish the commission and the By-laws are the legal foundation of how they carry out their statutory duties. The By-laws are considered a living document that can only be changed with a 2/3 vote. However, policies and procedures can be changed at any time.

The sub-committee will be working on the policies and procedures for how the Commission works, not only as a commission, but with the GIC staff as well. They plan to discuss the use of Roberts Rules of Order and expectations of how the commission meetings should run. By the time they are finished, she hopes to have an excellent tool as a manual for onboarding new commissioners that will include policies and procedures and a glossary of terms and acronyms. She stated she feels this would be an excellent and valuable source of information for onboarding for everyone, not only new commissioners, but any new employees at the GIC.

Commissioner Davis noted that the Governance sub-committee members are diverse in terms of their perspectives. She commented that everyone had a copy of the draft By-laws in their Commission packet. She asked if there were any specific questions in regard to the By-laws and noted that there were 2-3 areas that were in question and merited further discussion.

She asked everyone to take a look at the section regarding the duties and powers of the Executive Director. The sub-committee had debated the wording of this paragraph regarding hiring staff. There was discussion whether the wording should read "the commission may authorize" or the Executive Director "is authorized" to hire staff. In her opinion, the Executive Director should be authorized to hire employees as that person is best positioned to understand the needs of the Commission and has to work with the administration to fund positions. The sub-committee decided collectively that the language should read "is authorized". Commissioner Davis noted that it is important to remember that the sub-committee did not decide on the language, they just recommended it to the Commission who would make the final decision.

There was extensive subsequent discussion regarding the difference between "may authorize" and "is authorized", how it could relate to transparency regarding the GIC's operations and staffing. Much of the discussion involved what was the appropriate oversight role of the Commission and whether oversight concerns were better addressed in the policies and procedures. There were a number of suggestions of the type of reporting and topics that could be included in the policies and procedures that would address the concerns being raised.

There was discussion regarding whether the by-laws provided for both the appointment and the removal of the Executive Director. It was noted that the by-laws described only the appointment of the Executive Director, and that the sub-committee did not discuss a removal procedure. After further comment, the General Counsel stated he would work on adding language regarding removal of the Executive Director to add to the by-laws.

Commissioner Davis next noted the section on "Remote Participation" engendered extensive discussion in the sub-committee. She noted that, at this time, the Commission does not have remote participation and that the by-laws did authorize remote participation; it simply provided the option for the Commission to vote to allow remote participation in the future. This will be further discussed when the sub-committee reviews policies and procedures.

Commissioner Davis then asked everyone to take a look at the section on "Executive Contracts." The sub-committee decided the Commission is in governance and not in operations and would follow the Comptroller's guideline for determining what level of Contract should be brought to the Commission for authorization and signature. After review, the sub-committee verified that the Comptroller's threshold was currently \$500,000.00. The sub-committee recommended that instead of putting a monetary amount in the By-laws, they would use the Comptroller's threshold as a guideline. They felt

this was more appropriate, as it would not require the Commission to micromanage the Executive Director. Sub-committee members felt strongly that there needed to be a true delegation of authority to the Executive Director to enable that person to do the job efficiently. The Commission appointed the Executive Director to do a job and should allow that person to do so. The sub-committee had a vigorous debate on this topic before deciding to reference the Comptroller's threshold instead of including an actual number threshold.

There was a question regarding a provision on suspending the rules of order. Commissioner Davis indicated they will have a designated set of Rules they must follow (Roberts Rule of Order) and will discuss it further as part of the policies and procedure discussion.

There was a question regarding the "Commissions contracting power", which included reference to a trustee-type relationship. The General Counsel advised that there had been much discussion on this topic in the sub-committee. It was important to include it in the By-laws to underscore that the Commission has a trustee-type relationship with its members. He discussed that the GIC collects the employee's monthly premiums which, by statute, are put into an interest bearing account and the interest from that account then goes into a trust account for State and Municipal Employees and Retirees. The Commission is entrusted to use the employee premium account for the employees benefit, just as it is responsible for properly managing the State appropriation.

There was vigorous discussion regarding whether to vote on the By-laws since there was going to be language added regarding removal of the Executive Director. Given that and concerns raised regarding some of the other provisions, this would allow Commissioners a little more time to review the document. It was also noted that the Commissioners had already had two weeks to review the document.

The Chair asked for a motion to pass the By-laws as written with the understanding that the Executive Director removal language would be added and reviewed by the Commission in June for a vote on that amended language. Commissioner Chapdelaine made a motion to approve the By-laws, seconded by Commissioner Edmonds. The Chair then stated she wanted to make sure everyone understood what the motion was that they were voting on. The motion on the table was to approve the By-laws as is, with an understanding they were authorizing the sub-committee to go back and add the language regarding removal of the Executive Director. The General Counsel noted that a 2/3 vote was needed to pass By-laws and indicated they were also voting to authorize the sub-committee to add language for the removal of the Executive Director.

The General Counsel then asked if they should take a roll call vote and all agreed. The roll call vote proceeded: The Chair voted in the affirmative, along with Commissioners Veno, Heffernan, Chapdelaine, Choate, Clinard, Davis, Edmonds, Bradley, and McAnney. Commissioners Gentile, T. Sullivan, Drake opposed the motion and Commissioner Chabot abstained. The motion carried 10-3 (2/3 majority (9 of 14) required) with one abstaining.

IV. Behavioral Health

The Executive Director began with a discussion of the UniCare claims backlog issue. She supported UniCare's approach to insourcing behavioral health with Beacon as its partner and commended them on increasing behavioral health reimbursement; however, she was very disappointed with the implementation of the integration. She was able to report that, as of May 1, UniCare aged behavioral health claims had been eliminated and all claims over 60 days had been processed. Claims were being paid at normal service levels, which is 99% paid within 20 business days. UniCare will be sending out another communication to Behavioral Health providers to apologize and confirm that the aged inventory has been completely processed, along with a commitment to continue forward with the expected performance levels and to again publicize a special phone number for assistance and questions on their website. The Chair indicated that a representative from Anthem was in the audience and she wanted to acknowledge the work they had been doing to repair the problems.

The Executive Director next discussed behavioral health reimbursement rates. She stated the GIC had heard from members that reimbursement rates were extremely low and less than Medicaid. She found this troubling as behavioral health is a high priority for the GIC. She asked the GIC consultants to evaluate GIC behavioral health reimbursement rates across its book of business. She noted that this was just the beginning of the discussion. Addressing network and reimbursement concerns is a long term project and is tied up in how behavioral health services are delivered in Massachusetts. She then introduced Dr. Jeff Levin--Scherz from Willis Towers Watson to discuss the preliminary data from this inquiry.

Dr. Levin-Scherz noted the importance of behavioral health issues; 1 out of 5 adults faced some type of behavioral health issue each year. He discussed the impact of behavioral health problems on the overall cost of care, the impact of the Opioid crisis, and how behavioral health services are accessed and utilized. He noted that patients with behavioral health issues usually have more emergency room visits, more hospital visits, more substance abuse and a lot more losses of days at work. Access to behavioral health care is a problem, particularly for child psychologists. He indicated that the GIC has been doing a series of important things to try and improve access to care; including introducing a Single EAP program, but the problem is not a GIC specific problem. Many providers do not participate in behavioral health plans due to low fee schedules. The GIC does not have its own fee schedule; it uses the commercial fee schedule so this is a market wide issue that needs to be solved for the entire market.

Dr. Levin-Scherz indicated they had looked at FY2018 behavioral health claims in the GIC Data Warehouse and, on average; the total allowed amount was almost equivalent to the Medicaid fee schedule. Dr. Levin-Scherz informed the Commission that since FY2018, health plans have raised behavioral health incentives, but Medicaid had also raised its fee schedule. The GIC commercial health plans are not paying substantially higher than Medicaid. The Executive Director noted that there are also other dynamics involved, such as people getting mental health care in a different way. Out of

network fee schedules are paying more than what people are paying in network, which leads to more trouble with access.

The Executive Director stated the next step would be to go back to work with the health plans and try to understand their service model and how it worked. She would like this to lead to a bigger discussion about each health plan's reimbursement rate and access and then compare all plans across the board.

There was discussion regarding other state approaches to behavioral health issues. Dr. Levin-Scherz indicated that other states report having the same issues as the GIC. Both the private and public sector of the state level of care is driven by the way Medicare payments are structured. The Medicare fee structure offers higher financial incentives on heavily utilized inpatient services. This drives health care cost trends pitting states in battle against a federal framework that is not helpful. Commissioner Veno suggested the industry should be looking into how to rebalance some of the power away from hospitals to a more preventative chronic care approach and chronic disease management.

Commissioner Choate stated he has heard this thought process for the past 20 years and no one can seem to come up with an answer. It's a much bigger problem, the GIC just needs to start working on the issue so the industry and the public can see someone is doing something and working on solving the problem. There was further brainstorming on approaches to tackle these issues.

The Chair thanked everyone for a good discussion and turned the floor over to the Chief Financial Officer, James Rust, to present an overview of the Commission finances.

V. Finance 101

The CFO presented an overview of the GIC funding sources, accounts and a graphic of where the money comes from and how it is used.

The CFO indicated that the major source of funds was the taxpayers of Massachusetts. The GIC General fund, made up of the state appropriation and municipal premiums and administrative fees, had the largest amount at \$1.6 billion for FY2018. These funds are appropriated by the Governor and State Legislature to pay employee benefit costs. The full appropriations of these funds are not available on July 1 (the beginning of the new fiscal year); they are allocated throughout the year and the GIC is authorized to use those funds and pay claims and bills on behalf of the GIC members. These funds are monitored and kept at the State Treasurer office for disbursement and never reside at the GIC. There are numerous checks and balances and procedures in place to make sure the contracts are approved and funds dispersed appropriately and with full and accurate accounting.

For the Municipalities share of the funds, the GIC first uses funds from the appropriation to pay claims, so that on day 1, the GIC is able to pay bills. The Commonwealth is then reimbursed by revenue collected from the municipalities. Lastly, the Commonwealth funds the State Retiree Benefits Trust

Fund (SRBTF) which is used for the retiree's share of health care expenses. Money collected from the employees through payroll deductions or other sources is deposited into the employee checking account. The balance on this account can increase or decrease depending on what is collected or paid at any given time. Interest from the checking account goes into an employee trust fund and, from time to time, is used to pay certain employee related administrative expenses, subject to the Commission's approval. Other, smaller and specific use funding sources include the EGR (Elderly Government Retirees) and the RMT (Retired Municipal Teachers) accounts. These funds were set aside in the past from specific sources related to those populations for certain future uses to solely benefit those groups. For example, in February the Commission voted to subsidize rates for these groups using the corresponding rate stabilization sources. It is expected these funds will be depleted over the next several years.

The Chair inquired if the funds were placed in certain bank accounts and where are those accounts held. The CFO advised the accounts, like all state funds, are held by the State Treasurer and dispersed through the Comptroller of the Commonwealth. MMARS is the state accounting system that is used to dispense and account for the funds. The Chair felt that was as an excellent idea for checks and balances.

Commissioner Davis inquired as to why contributions from members do not go into a trust but instead are deposited into a checking account. The CFO advised the money from premiums is treated as operating money and goes into an operating account, which is the "employee premium checking account". The funds are kept in a separate account as to not co-mingle with the appropriations. Commissioner Davis inquired if the GIC uses certain funds first before others and how the GIC determines which account to pay from and to whom? The CFO gave the example, a bill for claims paid comes in from Tufts Health plan, the accounting staff reviews and divides it up among appropriate sources and then allocates those funds appropriately. The accounts are separated and handled by the accounting department.

Commissioner Clinnard wanted to make sure she understood the process of how the monies are paid out. She gave the example of a claim/bill coming in for \$100 and she is the state employee. The state pays 80% and the employee pays 20%. The 80% comes from the state claims appropriation account and the other 20% comes from the employee premium checking account. The CFO advised that was correct.

The CFO asked everyone to return to the graphic on "Uses of Funds". This showed the majority of GIC funds are used to pay benefit carriers such as health plans. Invoices are received by the GIC on a weekly basis and allocated to the correct cost center. Monies from the General Fund, SRBTF, and employee checking account are used to pay claims. There are also rate stabilization reserves and those accounts are used to subsidize premiums, but no claims are paid from them. Administrative costs of running the GIC are paid from the General Fund Appropriation and Municipal revenue. For FY2018, the

General fund appropriation was \$1.6 Billion, \$636 million was funded from the employees and \$432 million came from the SRBTF.

[Commissioner Choate left the meeting at 10:15am]

The CFO explained that the funding process allows for a series of checks and balances to make sure the money is being used appropriately. The Executive Director noted that there was a request made in regards to how GIC money is being used and they want to be as transparent as possible. It is a very complex organization to manage. She views the General Fund as a “notional” account. The GIC is given permission to spend up to a certain amount of money for very specific purposes. It is not the GIC’s money, it is the state’s money and all transactions are tracked and each account is used for its appropriate purposes.

Commissioner Clinard asked is there a state statute that administers some authorization for the account that is just interest of the employee premiums checking account on how that should be used. The General Counsel responded that Section 8 of the statute states, the GIC must take employee money and put it into an interest bearing account. The interest from that account becomes a trust fund and must be spent on employee purposes only. There are no more specifics than that.

VI. Employee Assistance Program (EAP)

Next the Executive Director invited Linnea Walsh, Director of Marketing and Communications to discuss the Employee Assistance Program (EAP) and its progress. The Director of Marketing advised the GIC had been collaborating with HRD and health insurance partners to implement the new state EAP program along with Mr. Adam Mintz and Mass Health. Mr. Mintz would be giving an overview of the programs’ performance to date.

Mr. Mintz told the Commission that he had been attending the GIC health fairs and received a lot of positive feedback. Many members had told him they were very pleased with the program and have been using several of its resources. He noted that a measure of program success is that employees feel they are getting the type of services, assistance and care they need, as well as feeling they are being treated fairly. He then reviewed statistics on plan metrics such as participation of members in the numerous services offered by the program for the 1st and 2nd quarters of FY2019. Many members had been using the “Liveandworkwell” sessions, including reviewing articles on depression, anxiety, adult ADHD and financial wellness. Overall participation was very strong during the 1st quarter as the program was new, however it slightly declined in the 2nd quarter with numbers down to 8.3%. He stated overall participation was still very strong and calls were coming in consistent and steady, with members mostly calling to get assistance or support with program enrollment.

The Chair stated it is a really excellent program and suggested that Commissioners with constituents should make sure their constituents are aware of the program.

VII. Functional Reviews

The CFO prepared to present a budget update but was first asked to summarize how health care payments worked. He explained that for FY2018, the state allocated \$2.1 billion for healthcare but some of this was collected from municipalities. UMass payments also come into the state as revenue and are added into the net cost.

There was some confusion regarding how the budgeting process and the rate setting process interact. The CFO stated that all line items are budgeted separately. Each line item goes through a rigorous analysis. The structure of the budget evolves over time and each fiscal year, yields a different budget. The budget can fluctuate and increases or decreases.

The Executive Director asked the CFO to move to the functional review which looks at the GIC spending against the budget. The CFO indicated that the data he was presenting showed what the GIC paid out last quarter and was divided by state share, plan and cost center. He noted that a similar view was presented for the employee share and showed the mirror image of the state share on how much is collected and how much is paid out.

He indicated that the data indicated that the GIC had budgeted appropriately and were right on budget with a small \$17 million surplus for the first 3 quarters of FY2019. The CFO advised that they do not expect any changes or imminent concerns for April and the numbers should remain the same.

VIII. Contracts & Amendments

The Associate General Counsel presented a brief review of the FSA, Dependent Care and Health Care spending accounts, which allow employees to set aside pre-tax dollars. She noted the program and procurement process and results had been discussed with the Commission at a previous meeting. She indicated that these are employee pay all programs. The monthly administrative fee will be going down by 72 cents. The GIC explored the possibility of stacking these benefits with the Comptroller administered transportation benefits, as they will all be provided through the same vendor. She reported that they will be able to combine the services and members will be able to access them all when they log into the Benstrat website. She then asked the Commissioners' signature to finalize the contracts.

IX. Closing: Out & About, Misc. Updates, Wrap-Up & Discussion & Other Business

The Executive Director requested everyone to make sure they noted the commission meeting dates for next year (2020) in their calendars. She thanked everyone for coming.

The Chair asked for a motion to adjourn. Commissioner Davis made the motion seconded by Commissioner McAnney. The motion passed unanimously and the meeting adjourned at 10:32 am.

Respectfully submitted,



Roberta Herman, MD
Executive Director

APPENDIX A

Materials Distributed at the May 2, 2019 Meeting

1. May 2, 2019 Commission Meeting Minutes
2. AFL-CIO Steve Tolman Letter
3. FY20 GIC Commission Meeting Dates
4. Draft GIC By-Laws
5. Commission Meeting Package- May 2, 2019

