

# Commonwealth of Massachusetts Group Insurance Commission



## Fiscal Year 2016 Annual Report

*Quality Benefits at Reasonable Costs*



*"Some dreams are in the night time  
And some seem like yesterday  
But leaves turn brown and fade  
Ships sail away  
You long to say a thousand words  
But seasons change."*

*-Expose*



**Commonwealth of Massachusetts  
Group Insurance Commission**

*Your  
Benefits  
Connection*



## THE GROUP INSURANCE COMMISSION

The mission of the Group Insurance Commission (GIC) is to provide high-value health insurance and other benefits to Commonwealth of Massachusetts employees, retirees, and their survivors and dependents. The GIC also covers housing and redevelopment authorities as well as certain municipalities that elect to join the GIC. The agency works with vendors selected through competitive bidding to offer cost-effective benefits produced with careful plan design and rigorous ongoing management.

The agency's performance goals are to provide high-quality, affordable benefit options, limiting the financial liability to the state and other payers to sustainable growth rates; and using the GIC's position as the largest employer purchaser of health insurance in the Commonwealth to stabilize, re-balance and otherwise favorably influence the Massachusetts health care market.

### **The GIC offers the following benefit programs:**

- A diverse array of health insurance options
- Term life insurance
- Long Term Disability (LTD) insurance
- Dental/Vision coverage for managers, legislators, legislative staff and certain Executive Branch employees
- Dental coverage for retirees
- Vision discount program for retirees
- Health Care Spending Account (HCSA)
- Dependent Care Assistance Program (DCAP)

*Lyrics of Seasons Change by Lewis A. Martinee*

## COMMONWEALTH OF MASSACHUSETTS GROUP INSURANCE COMMISSION

Fiscal Year 2016 Annual Report

Editor: Cynthia E. McGrath

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Dear Friends:

Changing seasons is particularly appropriate for this Fiscal Year 2016 Annual Report with the major transformations that took place during the past year. The GIC's Executive Director, Dolores L. Mitchell, retired after more than 29 years at the helm. She had a long track record of innovation and advocacy for the agency and was synonymous with the agency itself. This change led to an important time for the Commission which took a step back to define its mandate and to choose its next leader. We were well served in the interim by Ray Campbell, one of our former commissioners, who did a masterful job of bridging the leadership change while helping staff undergoing its own turnover with the transition.



During the transition, the GIC successfully took on a major and complicated project to implement a Part D prescription drug program for our most popular Medicare plan. This program required complex data matches with the federal government, changes in processing retirements and for those turning age 65; numerous communications; and top notch customer service. The team worked together to make this an overwhelming success. The program covers 70,000 enrollees and is estimated to save over \$30 million in the first year.

Other initiatives that kept us on our toes included an overhaul and upgrade of our critical eligibility system; procurements for life insurance, audit, and vision vendors; the continued challenges of escalating health care costs; and the slower than hoped adoption of new ways of paying for and delivering health care. Details about these projects and more are outlined inside this report.

It is a time of terrific challenges in the health care market and the Massachusetts economy. The recent presidential election will mean more changes are on the way. We hope that as you read this report, you will conclude that the GIC continues to advance our mission of procuring the best value while preserving choice for our members. I look forward to working with all of you to advance this mission.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Roberta Herman".

Roberta Herman, M.D.  
Executive Director



*"See the curtains hangin' in the window, in the evenin' on a Friday night. A little light a shinin' through the window, lets me know everything is alright. Summer breeze, makes me feel fine, blowing through the jasmine in my mind."*

*—Seals & Crofts  
Lyrics by Regine Schmidt*



## Centered Care Initiative

The GIC's Centered Care program – an initiative that seeks to change the health care delivery system and implement payment reform pursuant to chapter 224 – entered its third year with successes and disappointments. Customary payment methods tend to lead to overutilization of medical procedures and increased charges regardless of health outcomes. Our contracts with the plans use incentives and penalties to encourage plans to contract with doctors, hospitals and other providers using global budgets – or Integrated Risk-Bearing Organizations (IRBOs) - for the management of care instead of the usual fee for service arrangement.

The GIC set aggressive goals for member enrollment in IRBOs, with plans required to reach specific enrollment, cost benchmarks, and milestones. This program aligns with similar payer initiatives, including those of Medicare and MassHealth and is the wave of the future of health care payment and delivery.

However...it will take time as encouraging providers to take on risk and be paid on value rather than volume requires fundamental changes in the marketplace: management commitments; cultural changes; business redesign; patient-centric approaches; and new infrastructure. As Bill Gates said, "We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten. Don't let yourself be lulled into inaction."

## Enrollment Benchmarks Achieved

As of FY16, all six plans met a revised fiscal year benchmark of having at least 50% of their GIC members enrolled in these payment arrangements. Additional enrollment opportunities are limited by provider groups that are too small to take risk, or that have insufficient numbers of GIC patients, in part due to the fact that the GIC's membership is split between six carriers.

## Rate Targets Harder to Achieve

Skyrocketing prescription drug costs, Affordable Care Act-related charges, an aging population, increased utilization and market clout by the most expensive providers has made the rate targets hard to achieve. For the first two years of the program, overall rate increase caps of 2% were met, but the plans have struggled with the 0% and negative trend goals for the last three years of the contract, with some plans doing more poorly than others.

The initial proposed weighted rate increase for FY17 from the plans was substantial at 7.1%. After our annual rate renewal negotiation process, the final weighted average rate increase was 3.6%, in keeping with the state's benchmark and lower than the national average. Some plans did better than this and some did worse. Due to the Harvard Pilgrim Independence Plan's significant premium increases and spending beyond its premium rates, the Commission took a firm stand and closed the plan to new members.

## Clinical Performance Improvement (CPI) Initiative

The GIC's groundbreaking Clinical Performance Improvement initiative – also known as Select & Save – continued to advance transparency, quality of care, and efficient use of resources. This program was developed in 2003, long before health plans were tiering physicians. A combined de-identified claims data set of almost two million covered lives from the GIC's six health plans was analyzed for differences in how physicians perform on nationally-recognized measures of quality and/or cost efficiency. Members paid the lowest copay for the highest-performing doctors:

- ★★★ Tier 1 (excellent)
- ★★ Tier 2 (good)
- ★ Tier 3 (standard)





### *CPI Initiative continued*

A 2014 study of the GIC's CPI Initiative conducted by Anna Sinaiko Ph.D., M.P.P. and Meredith B Rosenthal, Ph.D. found that members looking for a specialist did take tiering into consideration when choosing a physician, but did not change specialists if they had seen that doctor previously. In FY16, the specialty copay differential for members was increased from \$25/\$35/\$45 to \$30/\$60/\$90. We anticipate that the copay changes will have an effect on existing specialist selection.

With a commitment to transparency and collaboration, the GIC and our consultant, Mercer, met with many large provider group practices to discuss collaboration opportunities and ways the practices might use the CPI data and to get feedback that has led to major revisions in the reports. In FY16, these meetings included:

- Beth Israel Deaconess Physician Organization
- Steward Health Care
- Atrius Health
- Reliant Medical Group
- Baycare Health Partners
- Lahey Health
- Partners HealthCare
- Boston Medical Center
- Hallmark Health
- Mount Auburn Cambridge Independent Practice Association
- New England Quality Care Alliance

These meetings led to a total redesign of the provider reports to make them easier to understand and more engaging. They now include bar graphs and pie charts to display the data visually, and have a new episode summary/mid-level report that breaks down individual episodes by service category.

The new consolidated report, with tier designation and information on how each tier was developed, was mailed in January to over 6,300 specialists. This was followed up with a summary report mailing to 21 practice leaders of each practice's low-scoring providers so they could initiate discussions with these practitioners about possible performance improvements. A third mailing to almost 5,700 primary care providers (who are not tiered), provided quality and efficiency scores and insight into their performance.





*“From the dew-soaked hedge creeps a crawly caterpillar  
When the dawn begins to crack  
It’s all part of my autumn almanac  
Breeze blows leaves of a musty-colored yellow  
So I sweep them in my sack  
Yes, yes, yes, it’s my autumn almanac.”*

*-The Kinks-  
Lyrics by Raymond Douglas Davies*

## Employer Group Waiver Plan Implementation

Skyrocketing drug costs are putting a tremendous strain on the GIC’s ability to offer comprehensive prescription drug and medical benefits. According to the state’s Health Policy Commission, Massachusetts prescription drug expenses increased 13% per capita in 2014 and accounted for one-third of the 4.8% increase in total health care costs. The opportunities to tackle rising drug costs are limited – driven by the introduction of new very expensive specialty drugs that have a wide audience of potential users and more oncology drugs coupled with enormous increases in existing drug prices. More than half of our members are retirees. Medicare retirees use more than twice as many prescriptions as employees and non-Medicare retirees.

Last summer the GIC embarked on a complex project to implement a new prescription drug program for over 70,000 UniCare State Indemnity Plan/Medicare Extension (OME) members that is projected to produce significant savings to the Commonwealth and members of the plan. Called EGWP (for Employer Group Waiver Plan), this is a group Medicare Part D Plan that also includes a “wrap” to close the gaps between a standard Part D plan and the members’ previous non-Medicare plan coverage. It took a true team effort to ensure a successful and timely implementation of this program.



Highlights included:

**Data Reconciliation:** One of the most challenging aspects of the program was the required data match with Centers for Medicare and Medicaid (CMS) records. The IT department generated monthly file exchanges beginning in June. Thousands of data discrepancies were worked through: spelling of first or last name, use of Junior or another suffix, date of birth, or totally different first names. Through the Operations Department’s culling and outreach, the GIC achieved the cleanest files out of SilverScript’s (the new pharmacy vendor) entire book of business. This also was the lowest number of errors for any of the sixteen CVS Caremark’s (the affiliated pharmacy benefit manager) January 1, 2016 EGWP implementations. The GIC was also the largest transfer.

**Changing and Improving Processes:** Due to federal government requirements, the GIC needed to accelerate the timeline to enroll retirees and their covered spouses in Medicare coverage. The team took the opportunity to not only revamp the process, but also to improve it. A customized form was developed that included a bar code for ease of data input and retrieval. The IT department created a tracking system and screens for the GIC customer service units to answer member questions about the status of their “Turning Age 65/Retirement” mailing and application. Additionally, the materials included with this mailing were overhauled to give members a comprehensive outline of their GIC Medicare plan options and costs.

**Comprehensive Communications Campaign:** The Centers for Medicare and Medicaid required that all members of the plan be offered the opportunity to opt out of the EGWP plan. However, if retirees opted out they would not only lose their prescription drug benefits, they would also lose their GIC medical and mental health coverage.

The GIC conducted a comprehensive outreach campaign prior to the required opt-out mailing to let retirees know they should not opt out of coverage. This included:

- A special edition of the fall *For Your Benefit* newsletter for retirees was devoted to the EGWP transition
- A home mailing with Frequently Asked Questions to all UniCare OME members two weeks before the required opt out mailing
- Collaboration with the Retiree Association
- Reviewing and editing multiple federally-required and difficult-to-understand communications
- A home mailing to out-of-country members to let them know we would be switching them to UniCare Basic
- Updated employee forms to reflect the new retirement procedures

*continued*



- Communications to GIC Coordinators and participation in the Comptroller's Payroll User Group meeting attended by over 100 Coordinators
- Communications to municipalities for budget planning
- Development of a new Turning Age 65 Frequently Asked Questions brochure that is distributed at health fairs and the corresponding FAQs on our website

As a result of the comprehensive communications campaign, **no member opted out of coverage** unless they had an extenuating circumstance. GIC Operations staff called these members to be sure that was the case.

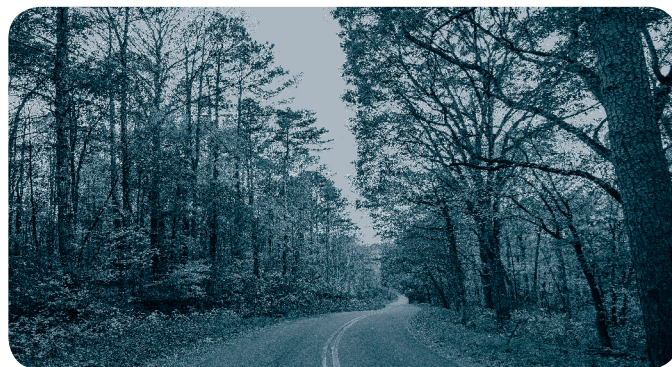
**Exemplary Customer Service:** The Public Information Unit was the main point of contact for retirees who had questions about the EGWP program. They answered over 10,500 EGWP calls over a six month period, helping members before and during the transition. Although the GIC had put in place a wrap plan to provide a comprehensive prescription drug program similar to the non-Medicare option, due to formulary differences, some members experienced slightly higher out-of-pocket costs or the need to get a temporary 30-day supply of a maintenance drug before their 90-day supply could be filled. The Public Information Unit provided outstanding customer service to the approximately 500 affected members and also worked with the vendor to resolve issues quickly.

## Outstanding Results

Three months after implementation, EGWP-related calls dropped to negligible levels, demonstrating the success of the implementation.

Despite well-publicized skyrocketing prescription drug costs, the new EGWP program is reaping huge savings for both members and the Commonwealth. First year estimated savings will come in around \$30 million total. Lower drug costs were the largest factor leading to lower premiums: the UniCare State Indemnity Plan/Medicare Extension rates decreased by 7.2% effective July 1, 2016. For retired teachers in the GIC RMT (non-municipal) program, the premium went down by 10.3%.

In addition to premium savings, very low income members can now access prescription drug premium subsidies. Some members prescribed certain drugs are paying lower costs than they did under their previous prescription drug program. Members can now receive their 90-day supply of prescription drugs at any participating retail pharmacy (retirees continue to have the lower mail-order copay at certain pharmacies, such as CVS Pharmacy and Navarro). They can also now receive their prescription drugs at nursing homes and long term care facilities.



## Affordable Care Act Health Insurance Reporting

Under the Affordable Care Act, all insureds were required to receive a new form in 2016 called the Form 1095-B, and all large employers were required to report that they offered health insurance coverage to their eligible employees.

Complying with the new requirements included a number of projects:

- **Obtaining missing Social Security Numbers:** The GIC developed and mailed a series of three notices to members for whom we did not have a Social Security Number (usually for covered dependents) letting them know why we needed to obtain their Social Security Number and providing a form and return envelope for them to do so. Over 8,200 members had one or more insureds with missing Social Security Numbers. The series of mailings reduced this count to 3,100, and we were able to document the collection efforts in accordance with IRS requirements.
- **1095-B Form Mailing:** This Internal Revenue Service document shows the recipient that they had health insurance coverage considered Minimum Essential Coverage during the 2015 tax year. As part of the Affordable Care Act, the IRS requires most people to obtain health coverage that meets this requirement for the given tax year. Called the "individual mandate," people who do not have health coverage that meets the requirement may have to pay a federal tax penalty in the future for being "uninsured." For the 2015 tax year, the form was for reporting only. The GIC's Information Technology department worked with the Comptroller and UMass to gather the required data for the new forms. The group also collaborated on the development of a Frequently Asked Question document that accompanied the mailing.
- **Employer Shared Responsibility Reporting:** The GIC worked with the Comptroller and all of its covered offline agencies and municipalities to help them complete and transmit the employer form to the Internal Revenue Service. This provision requires Applicable Large Employers (i.e. employers with 50 or more full-time employees who work 30 or more hours per week) to report the offer of health insurance coverage.



*"Carry your cup in your hand.  
And look around.  
Leaves are brown.  
And the sky is a hazy shade of winter.  
Hang on to your hopes, my friend.  
That's an easy thing to say,  
But if your hopes should pass away  
Simply pretend that you can build them again.  
Look around,  
The grass is high,  
The fields are ripe,  
It's the springtime of my life.  
Seasons change with the scenery;  
Weaving time in a tapestry.  
Won't you stop and remember me  
At any convenient time?  
Funny how my memory skips  
Looking over manuscripts  
Of unpublished rhyme."*

*-Simon & Garfunkle  
Lyrics by Paul Simon*



### Long Time Executive Director Retires

How do you bid adieu to an Executive Director who has been synonymous with the GIC for almost half of the agency's 60 years? Not easily. Dolores L. Mitchell, GIC Executive Director since 1987, announced her retirement at the December 2015 Commission meeting. She served under seven governors – from the administration of Michael Dukakis through current Governor Charlie Baker. During that time, she saw a lot of changes in the Commonwealth; but more importantly, she helped transform health care. "The years have flown by since I came to the GIC, and I haven't had a dull day since," Mitchell said. "There's a saying in poker that you have to know when to 'hold them' or 'fold them.' I have come to the conclusion that

it's better to leave when people are either honestly or dishonestly telling you they're sorry you're going to go, than stay too long and have them say, 'It's time for her to leave already.' So I'm going to fold 'em," she told the Commission.

Passionate about the GIC's dual objective of quality benefits at reasonable costs, Dolores Mitchell was never been afraid to push for changes, even when they were controversial. She was a leader in calling attention to patient safety, care coordination, differences in provider cost and quality, and the need to get everyone's arms around the health care cost monster. Among her achievements:

- Instituting mental health parity that was used as a model for subsequent legislation;
- Being the first New England purchaser to join Leapfrog, dedicated to improving patient safety in hospitals;
- Developing the Clinical Performance Improvement Initiative for evaluating specialists on quality and cost-efficiency;
- Implementing the Centered Care Initiative fostering better integrated care for members and holding doctors, hospitals, and other providers accountable for overuse of costly resources. It also flags the disparities in the cost and quality of care they provide; and
- Executing municipal health reform, which enables municipalities and school districts to join the GIC, thereby saving them millions of dollars on their health care costs.

"Under Dolores Mitchell's leadership, the GIC has been a powerful force for innovative and sustainable coverage for its enrollees and for the health care system across Massachusetts," said Commission Chair, Katherine Baicker, Ph. D. "We all owe her an enormous debt of gratitude."

### A New Executive Director

The Commission performed due diligence in a short time frame to find a new Executive Director. It formed a sub-committee in collaboration with the larger Commission that developed criteria for the next leader of the agency. The Commission determined that health policy leadership, managing finances and staff, and communicating with members, stakeholders, the media, the Legislature and others was highly desirable, as was knowledge of the local market and experience managing a comparable organization. A corresponding job description was developed and posted by mid-January. GIC staff and the Chair reviewed thirty-four applications from which sixteen were selected for review by the subcommittee members. This list was further culled to five for in person interviews.

In March, the Commission held public interviews with the two finalists. In a near-unanimous vote, the Commission authorized the staff to extend an offer to Dr. Roberta Herman of Navigant Consulting, a former Chief Operating Officer of Harvard Pilgrim Health Care and primary care physician.

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“Dr. Herman will bring crucial skills and experience to this very important position, including her impressive accomplishments as a physician and a quality improvement innovator,” said Commission Chair Katherine Baicker, Ph.D. “GIC enrollees and the people of the Commonwealth will benefit enormously from her leadership.”

Consulting commitments meant that Dr. Herman could not start immediately and, fortunately, the Commission was able to turn to Ray Campbell, a Commissioner who had stepped down in the fall so that he could assist the agency with the transition. He ably bridged the gap between Executive Director Mitchell’s retirement and Dr. Herman’s end June start date. He was subsequently appointed by the Governor to be the Executive Director of the Commonwealth’s Center for Health Information and Analysis.

### Regulations Reform

As part of the Administration’s request to streamline regulations – our rules for eligibility, procedures, and processes – the GIC undertook a comprehensive approach to ensure the new regulations would address operational and financial concerns, while also making them easy to understand. Staff met to determine needs for operational clarification. The legal department drafted proposed changes that incorporated those changes and complied with statutory changes made since the regulations that had been last promulgated in 2013. A public hearing was held at the end of January and the legal department participated in a series of listening sessions held across the state. Improvements included consistency between offline agency and municipal procedures; incorporation of health care reform changes; and clearer instructions of when members can enroll outside of the new hire and Annual Enrollment cycle in accordance with Internal Revenue Service pre-tax health insurance benefit rules. The Commission adopted the new regulations in March and staff conducted training on the changes with GIC Coordinators. The new regulations were promulgated by the Secretary of State at the beginning of April.

### Philanthropy and Support of Supplier Diversity

One hundred percent of GIC staff participated in this year’s Commonwealth of Massachusetts Employee Charitable Campaign (COMECC). For the 26th year, the GIC also supported a local charitable organization with a holiday giving tree. This FY16 recipient was the Victim Witness Assistance Program that serves approximately 450 victim-related cases at the West Roxbury District Court. GIC staff helped to make the holidays a little brighter for some of the children affected by abuse or trauma by purchasing items on their wish list – including toys, games, and coats.

The GIC and our carriers supported the Commonwealth’s supplier diversity program. The agency and its subcontracted vendors exceeded the Operational Services Division Supplier Diversity purchasing benchmarks for women-owned businesses, minority-owned businesses, and for the small business purchasing program.



### Comings and Goings

Since 2007 and the advent of Municipal Reform, County Reform, and Transportation consolidation laws, the GIC has implemented seventeen waves of new groups. In addition to these groups’ effect on our budget, adding groups has a major impact on the operations, public information, legal, information technology, and communications departments. Fortunately, we’ve become implementation experts, and this helps ensure smooth transitions: data exchanges, training sessions, customized communications, programming changes, health fairs, data entry and billing reconciliation procedures.

#### *Effective July 1, 2016: Over 1,150 New Members Added*

Town of Winchendon  
Pentucket Regional School District  
Essex Technical High School

#### *Effective July 1, 2016: Over 2,600 Members Withdrew*

City of Peabody  
Town of Orange  
Hampden-Wilbraham retirees covered under the Retired Municipal Teacher (RMT) Program

#### *Effective July 1, 2016: New Group Joining the Retiree Dental Plan*

Town of Westwood

### Audit Vendor

Each year the GIC audits half of its major vendors, with the other half audited the following year. In FY16, the GIC entered into a contract with a new vendor, Truven Health Analytics, which would for the first time conduct an audit of 100% of claims. The audit vendor procurement determined that this method would help test all claims for modeled attributes, such as eligibility, plan design features, compliance with an administrator’s policies and procedures, and industry practices. This 100% claims audit approach identifies hard-to-discover, systemic processing errors and potential overpayment recoveries. In FY16, the GIC began work with Truven on auditing three of the GIC’s health plans and our pharmacy benefit carve-out manager.



# HERE COMES THE SUN

*"Here comes the sun (doo doo doo doo)  
Here comes the sun, and I say  
It's all right  
Little darling, it's been a long cold lonely winter  
Little darling, it feels like years since it's been here  
Here comes the sun  
Here comes the sun, and I say  
It's all right"*

*-The Beatles  
Lyrics by George Harrison*



## Deductible and Flexible Spending Account Transition to Fiscal Year

The GIC completed the transition of the calendar year deductible for employee and non-Medicare members to a fiscal year, eliminating the deductible barrier for changing carriers during Annual Enrollment. We also completed the move of the pre-tax Flexible Spending Account to the fiscal year, aligning it to the other benefit options to make it easier for members to determine their Health Care Spending Account election.

## Benefit Changes Were Primarily Enhancements

For Fiscal Year 2017, the Commission elected not to make major benefit changes, particularly since for FY16, we had made some significant copay and deductible changes. Besides the Harvard Independence Plan freeze, most benefit changes were to comply with the Affordable Care Act (additional services covered); improve parity between plans (preventive care schedule frequency for UniCare plans); incentivize members to use urgent care instead of the emergency room; and bring the out-of-network out-of-pocket maximum in line with in-network benefits. Additionally, the GIC introduced a SmartShopper program for UniCare employee and non-Medicare members to encourage them to shop for care. Members receive a check of \$25-\$500 (depending on the procedure) if they call or use the website to find a provider and then visit that lower-cost provider.

## Life Insurance Vendor

The GIC awarded a new contract to The Hartford to continue as the life insurance carrier. Under the new contract, the rates stayed the same or went down, depending on age. The Accelerated Death Benefit maximum also increased to 80%.

## Vision Carrier

The GIC awarded a new contract to Davis Vision to continue as the vision provider. Members who purchase their glasses at a Visionworks store had a modest enhancement with more frame options without a copay and an increased allowance for non-plan frames.

## Information Technology Upgrades

GIC staff, in collaboration with Boston Data Group (an IT consulting company), is preparing for the rollout of its new benefits administration system in the first quarter of 2017.

Where FY15 focused on development of functions to maintain information on over 436,000 people and their coverages, the past year saw the following accomplishments:

- A billing module for insured parties with their associated agencies and municipalities was built;
- A set of integrated portals that will enable GIC Coordinators to manage information about their enrollees was developed; and
- The GIC's system was integrated with external systems including multiple payroll systems, Medicare and Medicaid systems, and numerous vendor eligibility systems.

The new system is replacing a legacy mainframe-based application that was developed more than 30 years ago. It offers numerous operational efficiencies and flexibility for future programs and requirements.

## Collaboration

With a rapidly changing marketplace and even more challenges to come, staying engaged with others in the health care and benefits industry is critical. GIC staff participates in a variety of national and state organizations. The GIC's Executive Director served as a board member of the following national organizations:

- National Committee for Quality Assurance (NCQA) – the national accrediting organization for managed care plans, physicians, and medical homes.
- National Quality Forum and its Measures Applications Partnership and Affordability Task Force – advises the federal Secretary of Health and Human Services on patient safety and quality measurements.



# HERE COMES THE SUN AND THUNDER ROAD

## Collaboration continued

The Executive Director, or her designee, is also a board member of the following state organizations:

- Massachusetts Health Connector Authority – the Massachusetts exchange that runs Commonwealth Care and Commonwealth Choice.
- State Retiree Benefit Trust Fund – funds and pays for the state share of retiree health insurance premiums.
- Statewide Quality Advisory Committee – makes recommendations to the Department of Public Health for promulgation of quality-related measures.

In addition, GIC staff collaborate with others to implement health reform legislation (Employer Shared Responsibility), consolidating and sharing databases (Inter-Agency Quality Work Group and All-Payer Claims Database Data Release Committee), staying abreast of trends in the employee benefits field (New England Employee Benefits Council, on which the GIC's Communications Director serves as a member of its board), and improving health care safety (The Leapfrog Group).



## Thunder Road

*“Oh, Thunder Road, oh, Thunder Road  
Lying out there like a killer in the sun  
Hey, I know it's late, we can make it if we run  
Oh oh oh oh, Thunder Road  
Sit tight, take hold, Thunder Road”*

*-Sung and written by Bruce Springsteen*

There's no question that storm clouds are on the horizon for health care and the GIC. State revenues continue to be tight and health care costs are crowding out other critical needs – like education and local aid. Meanwhile, prescription drug costs and health care utilization show no signs of slowing, and high cost provider groups with tremendous market clout maintain high prices. We will continue to push forward with Centered Care and new ways of paying for care, but these are tectonic shifts in the marketplace and won't happen quickly.

President-elect Trump is expected to make changes to the Affordable Care Act, which will have a ripple effect on the GIC. If funding mechanisms that underline health care reform change or are eliminated, costs for other purchasers, including the GIC, will rise. It is also possible that benefits and eligibility for coverage mandated by the ACA may be rolled back. That said, exactly what will happen is only speculation at this point.

We have also been working with some large offline agencies that are not on the state's payroll system to assist with reconciliation problems that affect eligibility, coverage and payments of benefits.

Collaboration with others is of paramount importance in moving the health care marketplace to a more efficient, effective, and affordable position. We have a very committed staff remaining, despite a lot of transition over the last year, and also have a supportive Commission dedicated to the GIC's mission and our move to greater efficiencies, including a major upgrade of the critical eligibility system.

*Together we will weather the storms ahead while providing quality benefits at reasonable costs to our members and to the Commonwealth of Massachusetts.*



# FINANCIAL REPORTS

## STATEMENT OF EXPENDITURES

DESCRIPTION	ENROLLEES	COMMONWEALTH
Administration (a)	-	3,807,639
Basic Life Insurance <i>for State Employees and Retirees</i>	2,435,552	8,646,249
Optional Life Insurance <i>for State Employees and Retirees</i>	40,160,225	-
Health Insurance <i>for State and Municipal Employees and Retirees (b)</i>	524,476,299	1,984,977,947
Dental And Vision Insurance <i>for State Managers &amp; Legislators</i>	1,555,815	8,220,643
Long Term Disability Insurance <i>for State Employees</i>	14,232,990	-
Health Insurance <i>for Elderly Governmental Retirees (c)</i>	28,420	159,725
Life Insurance <i>for Retired Municipal Teachers</i>	153,168	587,371
Health Insurance <i>for Retired Municipal Teachers</i>	11,966,901	50,943,095
Dental Insurance <i>for Retirees</i>	14,885,855	-
<b>Total Expenditures</b>	<b>\$609,895,225</b>	<b>\$2,057,342,669</b>

## STATEMENT OF REVENUE

DESCRIPTION	COMMONWEALTH
Housing, redevelopment, and other authorities	200,693,423
Municipal Program Health Insurance	559,192,008
Elderly Governmental Retirees' Health Insurance	173,934
Retired Municipal Teachers' Health Insurance	47,233,869
Insurance chargebacks to state agencies receiving federal and trust funds	236,128,837
Leave of absence chargebacks to state agencies	498,898
Federal subsidy for Medicare Part D Program	29,576,637
Other income	793,967
<b>Total Revenue Credited to Commonwealth's General Fund</b>	<b>\$1,074,291,573</b>

## SUMMARY OF REVENUE/EXPENDITURES

Total Expenditures	2,057,342,669
Total Revenue Credited to Commonwealth's General Fund	-1,074,291,573
<b>Net Commonwealth Expense</b>	<b>\$983,051,096</b>

(a) Additionally \$225,806 from employees' trust funds and \$2,212,201 from communities participating in the GIC's Health Insurance Programs was used to pay administrative costs.

(b) Medical and prescription drug co-payments and deductibles for FY16 totaled \$250,942,185 million.

(c) The EGR share includes \$14,793 from the EGR Trust Fund and \$7,842 from the EGR Rate Stabilization Reserve. These amounts are subsidies to the retirees' premiums.



# FINANCIAL REPORTS

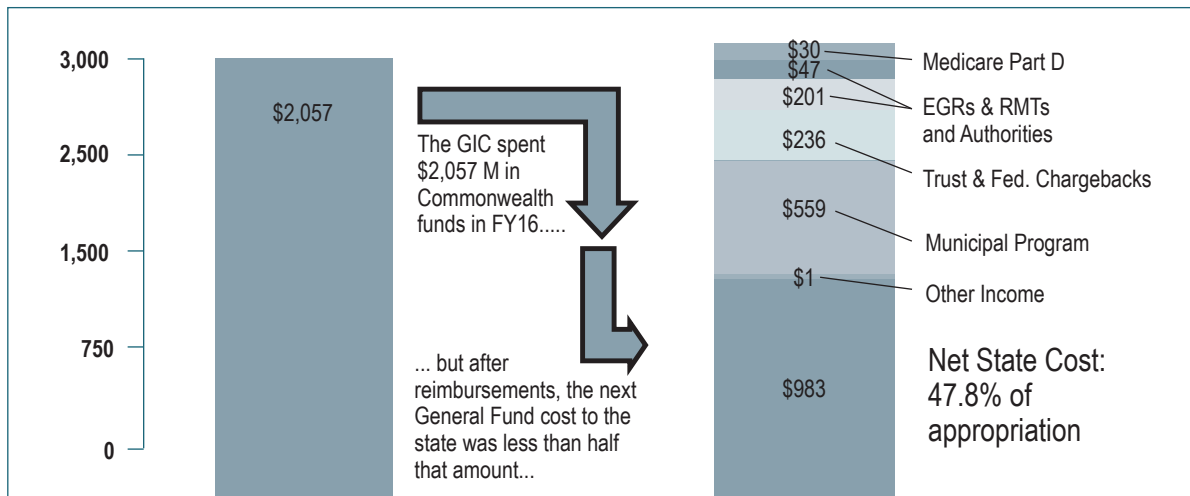
## RATE STABILIZATION RESERVE STATEMENT

DESCRIPTION	BEG. BALANCE	RECEIPTS	EXPENDITURES	ENDING BALANCE
Basic Life Insurance <i>for State Employees and Retirees</i>	3,582,507	13,124	1,180,259	\$2,415,372
Optional Life Insurance <i>for State Employees and Retirees</i>	18,796,194	71,539	1,900,000	\$16,967,733
Health Insurance <i>for State and Municipal Employees and Retirees</i>	75,278	19	75,297	\$0
Health Insurance <i>for Elderly Governmental Retirees</i>	232,363	6,963	7,842	\$231,484
Life Insurance <i>for Retired Municipal Teachers</i>	110,785	468	-	\$111,253

## EMPLOYEES' TRUST FUND STATEMENTS

DESCRIPTION	BEG. BALANCE	RECEIPTS	EXPENDITURES	BALANCE
Health Insurance <i>for State and Municipal Employees and Retirees</i>	2,289,159	271,040	225,806	\$2,334,393
Health Insurance <i>for Elderly Governmental Retirees</i>	104,016	387	14,793	\$89,610

## STATE'S GENERAL FUND REIMBURSED FOR 52.2% OF GIC APPROPRIATION





# TREND REPORTS

## FY 2016 Enrollment

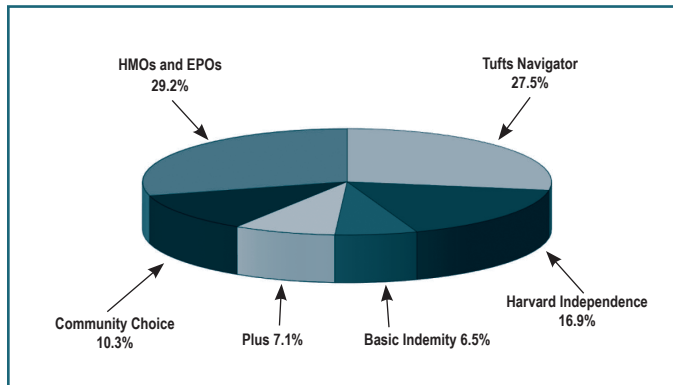
### HEALTH PLAN MEMBERSHIP BY INSURED STATUS FY 2016

	SELF INSURED	TOTAL ACTIVE*	TOTAL RET & SUR	TOTAL EGR & RMT	TOTAL ENROLLEES	TOTAL DEPENDENTS	TOTAL LIVES
UniCare Basic Indemnity Plan	Yes	7,504	10,023	1,884	19,411	14,251	33,662
UniCare PLUS	Yes	9,347	3,100	0	12,447	16,802	29,249
UniCare Community Choice	Yes	13,609	2,139	0	15,748	21,391	37,139
UniCare Medicare OME Plan	Yes	22	64,359	6,614	70,995	0	70,995
Fallon Health Direct	No	3,505	270	30	3,805	3,953	7,758
Fallon Health Select	No	3,622	542	104	4,268	6,455	10,723
Fallon Senior Plan	No	0	581	64	645	0	645
Harvard Pilgrim Independence Plan	Yes	19,635	6,181	0	25,816	34,569	60,385
Harvard Pilgrim Primary Choice Plan	Yes	8,924	990	0	9,914	12,736	22,650
Harvard Pilgrim Medicare Enhance Plan	No	6	14,993	140	15,139	0	15,139
Health New England	No	8,490	1,339	205	10,034	12,260	22,294
Health New England MedPlus Plan	No	0	2,337	263	2,600	0	2,600
Neighborhood Health Plan	No	5,635	268	35	5,938	6,207	12,145
Tufts Navigator Plan	Yes	31,926	6,443	0	38,369	54,617	92,986
Tufts Spirit Plan	Yes	3,714	344	0	4,058	3,478	7,536
Tufts Medicare Preferred Plan	No	1	4,391	83	4,475	0	4,475
Tufts Medicare Complement Plan	No	1	6,360	0	6,361	0	6,361
Basic Indemnity Plan		7,504	10,023	1,884	19,411	14,251	33,662
Total PPO-Type Plans		74,517	17,863	0	92,380	127,379	219,759
Total HMO-Type Plans		33,890	3,753	374	38,017	45,089	83,106
Total Medicare Indemnity Plans		28	79,352	6,754	86,134	0	86,134
Total Medicare HMO Plans		2	13,669	410	14,081	0	14,081
<b>TOTAL-ALL</b>		<b>115,941</b>	<b>124,660</b>	<b>9,422</b>	<b>250,023</b>	<b>186,719</b>	<b>436,742</b>

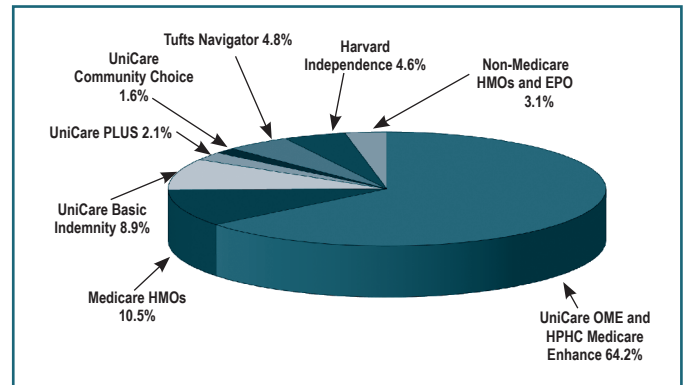
\*Active enrollment includes employees and people paying full-cost premium.

Source: Pool I Demographic and Cost Analysis: Gross Enrollment Report and Pool II Gross Enrollment Appendix, Fiscal Year 2016.

### Active Employees by Plan Type - FY 2016



### Retirees and Survivors by Plan Type - FY 2016 Pool I and Pool II

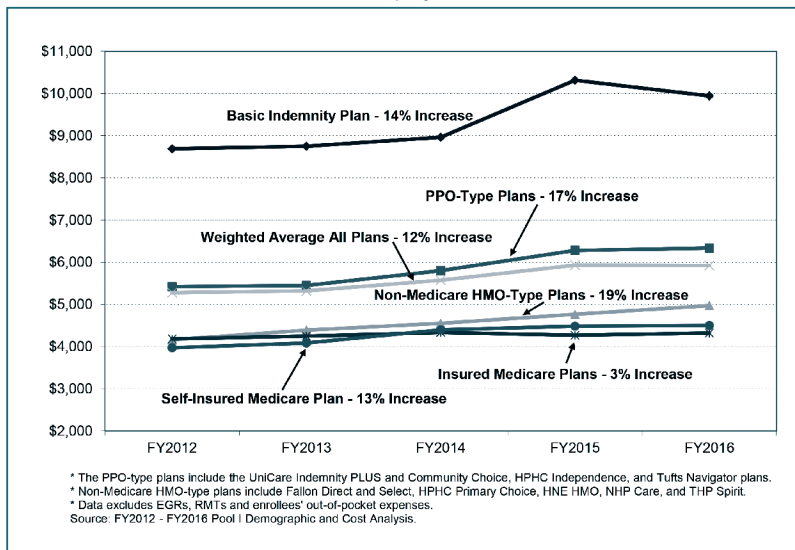




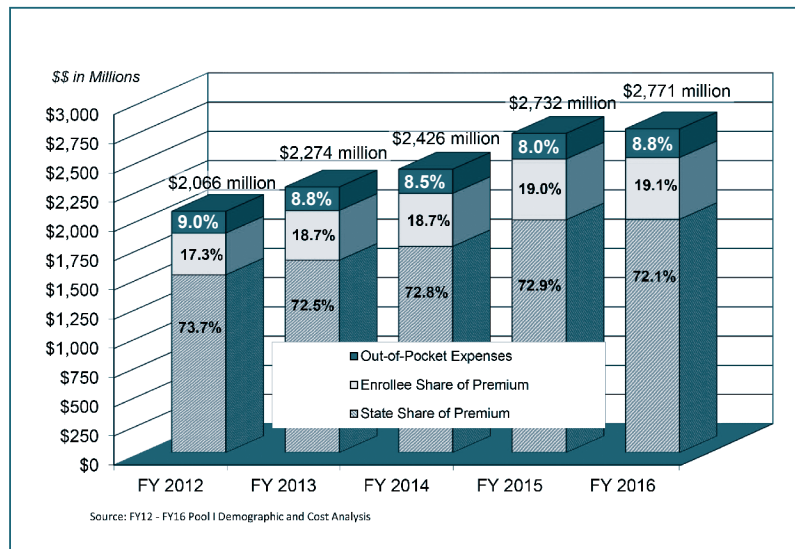
# TREND REPORTS

## AVERAGE COST PER CAPITA BY PLAN TYPE

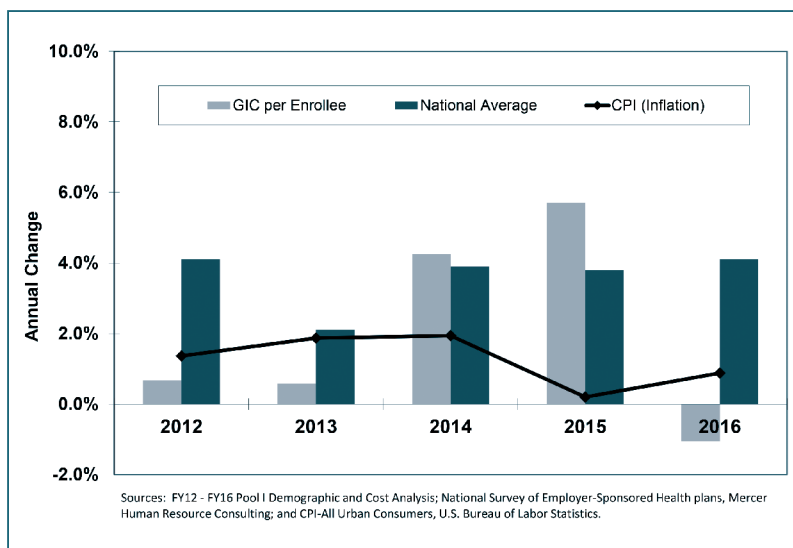
Total State and Employee/Retiree Share



## TOTAL HEALTH CARE COSTS FOR THE GIC AND ITS ENROLLEES



## CHANGE IN GIC AVERAGE COST PER ENROLLEE VS. OTHER BENCHMARKS





## COMMONWEALTH OF MASSACHUSETTS

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KARYN POLITO, Lieutenant Governor

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RAY A. CAMPBELL III, Acting Executive Director (April 2016-June 2016)

ROBERTA HERMAN, M.D., Executive Director (June 2016)

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ANNE M. PAULSEN (Retiree Member), Vice Chair Effective October 2015

THERON R. BRADLEY (Public Member)

RAY A. CAMPBELL III (Public Member) (July 2015-October 2015)

EDWARD TOBEY CHOATE (Public Member)

ROBERT J. DOLAN (Massachusetts Municipal Association)

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

DOUGLAS HOWGATE (Public Member) (July 2015-November 2015)

BOBBI KAPLAN (NAGE) (October 2015-June 2016)

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MELVIN A. KLECKNER (Massachusetts Municipal Association)

EILEEN P. MCANNENY (Public Member)

LAUREN B. PETERS, Designee for Kristen Lepore, Secretary of Administration and Finance

MARGARET THOMPSON (LOCAL 5000, SEIU, NAGE)

TIMOTHY D. SULLIVAN (Massachusetts Teachers Association)

VALERIE SULLIVAN (Public Member) (December 2015-June 2016)

RENU WADHWA, Designee for Daniel Judson, Commissioner of Insurance

JEAN YANG (Public Member)

## COMMONWEALTH OF MASSACHUSETTS GROUP INSURANCE COMMISSION

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