



The GIC is proud to provide high-quality, affordable health insurance and other benefit options to more than 273,000 subscribers and 462,000 members. With the health care marketplace rapidly changing, what remains steadfast is the GIC's continuing commitment to enhancing our members' experience, providing meaningful choice, and delivering value, while responsibly managing costs for our members and the Commonwealth. The GIC's partnerships with health and other insurance carriers, state and municipal leaders, labor unions and many others, are invaluable and enable us to move forward. We are pleased to introduce this Annual Report, 'A Time for Collaboration,' for Fiscal Years 2017-2018.

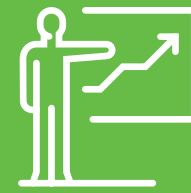
WHAT'S INSIDE



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GIC AT-A-GLANCE*



462,000
Total members



76,000
Medicare subscribers



The GIC is the **single largest purchaser** of health insurance in the Commonwealth!

The GIC has four long-term objectives:



Provide access to high-quality, affordable benefit options to employees, retirees and dependents



Limit the financial cost to the state and others (of fulfilling benefit obligations) to sustain growth rates



Use the GIC's purchasing power to innovate and otherwise favorably influence the Massachusetts health care market



Evolve GIC's existing business and operational environment to meet business demands and security standards



17 Commissioners

Appointed by the Governor
(including representatives from labor, retirees, business community and academia)

918

State, Regional, Municipal and Quasi-Public Member Agencies
(including Housing/Redevelopment Authorities, MWRA, MassPort, MBTA, etc.)



Budget:
\$2.1 billion



// The Group Insurance Commission is committed to providing high-quality benefits to members at an affordable cost. Because of its strong purchasing power in the health care marketplace, the GIC continues to deliver quality and value for employees, retirees, and their families. **//**

– **Michael J. Heffernan** | Secretary, Executive Office for Administration and Finance and GIC Commissioner

LETTER FROM OUR EXECUTIVE DIRECTOR

Dear Friends:

This Annual Report is an opportune time to inform our members, colleagues and stakeholders about the progress we are making to deliver health care and other insurance benefits to our members and their families. The fact is improving health care is an ambitious undertaking—and nothing big or important is ever accomplished alone. The theme, “A Time for Collaboration,” reinforces the need for us to continue building meaningful partnerships to help achieve our goals.

With an eye toward better serving those who serve the Commonwealth, we have made considerable progress in Fiscal Years 2017 and 2018 to help keep health care coverage affordable. After making several necessary adjustments to our benefit offerings in 2017, the GIC embarked on an aggressive plan to help control prescription drug costs, initiating a competitive procurement for a direct contract with a prescription benefit administrator (PBM) for all members. The GIC has completed the transition from a fully-insured to self-insured business model, saving the Commonwealth and taxpayers in administration and other fees; insourced behavioral health; and implemented the first statewide Employee Assistance Program (EAP).

In FY2018, trend projections showed the average premium rate increase at a record zero percent for FY2019. As a result, the GIC was able to make several member-friendly enhancements, ranging from reduced copays when seeing a Tier 3 specialist to providing all members access to \$15 Telehealth coverage, as well as lowering deductibles for some regional and limited network products.

As we move forward, we look to leverage the fine work of our sister agencies such as the Center for Health Information Analysis (CHIA) and the Health Policy Commission (HPC) as well as to engage more actively with our members. We also hope to enhance our members' experience, and are doing so, in part, by moving from paper-based to digital communication channels. Case in point of this exciting evolution is this first digitized version of the GIC Annual Report for FY2017 and FY2018!

We look forward to working with you in the coming year.



Roberta Herman, M.D. | Executive Director | Group Insurance Commission



Commonwealth of Massachusetts

Charlie Baker
Governor

Karyn Polito
Lieutenant Governor

Roberta Herman, M.D.
Executive Director
Group Insurance Commission

WHAT WE'VE HEARD FROM YOU

As we grow and evolve, GIC is focused on engaging with our members! Throughout 2017 and 2018, the GIC traveled the Commonwealth to hear from a diverse cross-section of members. We asked for member feedback and suggestions through public hearings and listening sessions as well as our new member survey, which we conducted for the first time in the Fall of 2017. Each of these feedback mechanisms provided the GIC with useful insight around a few key themes:

Bright Spots

- Health plan experience had the highest satisfaction rating
- Participants are satisfied with their current network of doctors and say they want to stay in the same plan next year
- Older participants, particularly those aged 65+, are most satisfied with their health plan experience and communications

Opportunities

- Participants are concerned about rising medical costs and any changes that might increase their expenses
- Participants urge the GIC to leverage its purchasing power to control costs and preserve important benefit options
- Communications can be improved in order to provide clarity on terminology, plan differences and overall GIC decisions—particularly to employees under the age of 55
- Interest in increasing support for alternative therapies



41 survey questions

7,260

participants completed
the survey



Hundreds of individuals
participated in listening sessions
and/or public hearings



// We're proud to support the GIC's efforts to provide the best possible options for everyone it covers. //

– **Richard Burke** | President and CEO
Fallon Health

// I strongly believe that the GIC has provided me with the best coverage at a very reasonable cost. //

– **GIC Member**

2017-2018 PRIORITIES

IMPROVING THE GIC MEMBER EXPERIENCE

Improving the member experience means communicating with our members through multiple channels. In an increasingly digital landscape, the ways in which our members receive and consume their information is changing.

In 2017-2018, we invested in upgrading our communication tools, including communication infrastructure and technology, moving toward a digital-first approach to better inform and educate our members about their benefits.

Here are just a few of the ways we're staying connected:

2017 Member
Survey



Increased social media
presence, including
LinkedIn and Twitter



Simplified,
more concise
Annual Benefits
Enrollment materials



New email
marketing platform



Reduced paper
communications



New digital
communication
formats—like this
Annual Report



Above, GIC members share their feedback at listening sessions throughout the Commonwealth. Clockwise from top right: Cape and Islands, Worcester, Springfield, Boston.

// We've developed a true partnership that brings innovation and collaboration to the forefront. //

– **Tom Croswell** | President and CEO
Tufts Health Plan

2017–2018 PRIORITIES (CONTINUED)

EMPOWERING MEMBERS TO TAKE CHARGE OF THEIR WELL-BEING

Mass4You: A New Employee Assistance Program to Meet Today's Needs

Supporting member wellness continues to be one of the GIC's top priorities. In 2017, the GIC partnered with the Commonwealth's Human Resources Division to select a new Employee Assistance Program (EAP) vendor that could better meet its members' diverse needs. The GIC chose Optum based on overall value and competitive price, and beginning July 1, 2018, the GIC introduced its new program, "Mass4You EAP".

Available to all active state and municipal employees and their families who are eligible for GIC benefits, the Mass4You EAP provides access to a comprehensive suite of resources to support a better work/life balance, including in-person or virtual counseling sessions as well as help with financial or legal concerns, child care, elder care and other services. Members can access these resources by calling **1 (844) 263-1982** for 24/7 support, or by visiting www.liveandworkwell.com.

Integration of Medical and Behavioral Health Benefits

At a time when 32% of U.S. employees have suffered from severe stress, anxiety or depression in the last two years, employers and policymakers are focused on improving access to behavioral health and substance abuse resources.¹ The GIC has long provided behavioral health benefits to its members through its medical plans, but there was significant variety in the way the different health plans provided access to and paid for behavioral health coverages.

In 2018, the GIC made a strategic decision to integrate behavioral health benefits through members' health insurance carriers. This action resulted in the health insurance carriers "carving in" behavioral health benefits to include them as part of their medical plans, rather than outsourcing them through other providers. GIC members can now access behavioral health benefits through their own medical carrier — a simplified and streamlined experience that supports the integration of members' physical and mental health.

¹ Willis Towers Watson 2017 Global Benefits Attitudes Survey, United States.

// It is an honor and a privilege to partner with the Commonwealth of Massachusetts on the Mass4You Employee Assistance Program, helping members achieve a healthy balance between work and home. //

– **Jennifer Young, MBA**
Optum
Senior Vice President
Client Relations

// We strive to improve the health and lives of the people in the communities we serve. //

– **Jody Gross,**
Interim President and CEO
Health New England

2017–2018 PRIORITIES (CONTINUED)

ENSURING SUSTAINABLE MEMBER BENEFITS

Across the country, rising medical costs are a top concern. That's why we collaborate with our partners each day to continue to control prescription drug and other health care costs, while providing robust benefits to members and their families. In 2017-2018, the GIC implemented a series of member-friendly benefit design changes, including reduced deductibles and co-pays on certain products, which took effect in FY2019.

Protecting the Pocketbooks of Retired Municipal Teachers and Elderly Governmental Retirees

In March of 2018, the GIC proposed important new legislation, "An Act Providing Affordable Health Insurance Options to Municipal Retirees," which Governor Charlie Baker signed into law, resulting in significant savings for a portion of our members. This legislation allowed the GIC to merge two groups of members—Retired Municipal Teachers (RMTs) and Elderly Governmental Retirees (EGRs)—into the much larger pool of all other GIC members.

Had this change not been signed into law, a portion of the 10,000 RMTs and EGRs would have experienced skyrocketing costs for medical care—premium increases ranging from 30% to 80%—beginning in mid-2019. Making this change contained these members' premium costs while also providing them with more choice.

// It is [our] honor to bring innovative, fiscally-responsible and high-quality health plans and services to the Commonwealth's employees and retirees. //

– **Michael Carson**, President & CEO, Harvard Pilgrim Health Care



Medford City Hall

In FY2017 and FY2018, the Commonwealth of Massachusetts invested **nearly \$1 billion per year** in member benefits.

// Our partnership with the GIC has also strengthened our ability to withstand increasing medical trend costs. //

– **Mayor Stephanie M. Burke**
City of Medford

2017–2018 PRIORITIES (CONTINUED)

Securing the Best Value for Our Members

The GIC uses its significant purchasing power to help provide members with high-quality care for a reasonable cost. One of the ways the GIC accomplishes this goal is by regularly reviewing our plans and vendor services and evaluating whether we might help deliver savings by collaborating with a new vendor. In 2018, the GIC made several strategic vendor changes to help save our members and the Commonwealth money. These changes included:

Integrated wellness offerings
with health insurance carriers

Integrated behavioral health benefits
with other health benefits

A new Employee Assistance
Program, Mass4You

A move to self-insured funding
arrangements for all products
(except Medicare Advantage)

Contracted directly with a new pharmacy benefit manager, Express Scripts,
to ensure that all non-Medicare members have access to the same drugs at the same prices

These changes support our mission to provide access to high-quality, integrated health, wellness and pharmacy offerings at competitive prices.

All procurements executed by the GIC are subject to Massachusetts public bidding laws and regulations and are designed to ensure the fair selection of high-quality services at competitive prices. Section 4 of Chapter 32A of the Mass General Laws limits GIC benefit contracts to a maximum of five years.

With health care costs rising at **well above the rate of inflation**, employees across the state—and the nation—are more conscious of their health care spending than ever.

Source: Willis Towers Watson's Best Practices in Healthcare Survey, 2018

“Joining the GIC has allowed Westwood to provide its employees excellent health coverage at affordable rates.”

– **Mike Jaillet**, Town Administrator
Westwood

“We look forward to a new chapter in our longstanding partnership by challenging conventions to deliver exceptional experiences.”

– **David Segal**, President and CEO AllWays
Health Partners

MEET OUR COMMISSIONERS



Commission Chair
Valerie Sullivan
Public Member



Vice-Chair
Bobbi Kaplan
Executive Vice-President,
Unit 6, Local 207, NAGE



Executive Director
Roberta Herman, MD

"It is a privilege to serve as Chair. The GIC is strongly positioned to advocate for its members by providing information that empowers them in making the best decisions about their health care coverage and other benefit options."

– **Valerie Sullivan, Chair,**
Group Insurance Commission



Gary Anderson
Commissioner
Division of Insurance



Theron Bradley
(Public Member)



Adam Chapdelaine
Town Manager, Arlington
(Massachusetts Municipal
Association)



Edward (Tobey) Choate
Chief Administrative Officer,
Examity (Public Member)



Christine Clinard, Esq.
(Public Member)



Tamara Davis
Managing Director, Davis
Board Services, LLC
(Public Member)



Kevin Drake
Council 93, AFSCME,
AFL-CIO



Jane Edmonds
Vice-President, Programming
and Community Outreach,
Babson College (Retiree
Member)



Joe Gentile
AFL-CIO (Public Safety
Member)



**The Honorable
Michael Heffernan**
Secretary, Executive Office
for Administration and
Finance



Eileen McAnneny
President, Massachusetts
Taxpayers Foundation
(Public Member)



Anna Sinaiko, MPP, Ph.D
Assistant Professor, Health
Economics and Policy,
Harvard School of Public
Health (Health Economist)



Timothy Sullivan, Ed.D.
Massachusetts Teachers
Association (MTA)



Elizabeth Chabot
President, Local 229
Massachusetts Probation
Officers and Vice-
President, NAGE National
Executive Committee



**Melissa Murphy-
Rodrigues**
Town Manager, Sudbury

PAST COMMISSIONERS

Katherine Baicker
Health Economist, Chair
(2013 – 2017)

Anne M. Paulsen
Retiree Member, Vice-Chair
(2007 – 2017)

Robert J. Dolan
Massachusetts Municipal
Association
(2012 – 2017)

Jean Yang
Public Member
(2013 – 2017)

Ed Kelly
Public Safety
(2012 – 2017)

Melvin A. Kleckner
Massachusetts Municipal
Association
(2012 – 2018)

Margaret Thompson
Local 5000, SEIU, NAGE
(2013 – 2018)

Richard Waring
NAGE, Vice Chair
(2011 – 2017)

Commissioners are appointed
by the Governor.

STATEMENT OF EXPENDITURES

JULY 1, 2016–JUNE 30, 2017

DESCRIPTION	EMPLOYEE/RETIREE PREMIUMS	COMMONWEALTH EXPENDITURES
EXPENDITURES		
Administration (a)	–	3,837,925
Benefits for State Employees, Municipal Employees and Retirees	624,978,358	2,053,124,145
Health Insurance <i>(also includes Municipal Employees) (b)</i>	549,464,792	2,034,905,222
Basic Life Insurance	2,551,644	9,784,817
Optional Life Insurance	40,144,988	–
Long Term Disability Insurance <i>(State Employees only)</i>	14,756,308	–
Dental Insurance <i>(Retirees only)</i>	16,498,008	–
Dental and Vision Insurance <i>(State Managers & Legislators only)</i>	1,562,618	8,434,106
Benefits for Elderly Governmental Retirees (c)	20,007	104,565
Health Insurance	20,007	104,565
Benefits for Retired Municipal Teachers	11,437,114	48,021,177
Health Insurance	11,300,074	47,474,666
Life Insurance	137,040	546,511
Total Expenditures (a)	\$636,435,479	\$2,105,087,812

(a) Additionally, \$55,766 from employees' trust funds and \$1,914,632 from communities participating in the GIC's Health Insurance Programs were used to pay administrative costs.

(b) Does not include medical and prescription drug co-payments and deductibles.

(c) The EGR share includes \$8,615 from the EGR Trust Fund and \$5,780 from the EGR Rate Stabilization Reserve. These amounts are subsidies to the retirees' premiums.

STATEMENT OF REVENUE

JULY 1, 2016–JUNE 30, 2017

DESCRIPTION	EMPLOYEE/RETIREE PREMIUMS	COMMONWEALTH EXPENDITURES
REVENUES		
Housing, redevelopment and other authorities	–	201,056,208
Municipal Program Health Insurance	–	558,908,629
Elderly Governmental Retirees' Health Insurance	–	157,922
Retired Municipal Teachers' Health Insurance	–	44,092,716
Insurance chargebacks to state agencies receiving federal and trust funds	–	298,606,521
Leave of absence chargebacks to state agencies	–	395,011
Federal subsidy for Medicare Part D Program	–	9,308,635
Other income	–	3,483,827
Total Revenues		\$1,116,009,469
SUMMARY		
Total Expenditures	–	2,105,087,811
Total Revenue Credited to Commonwealth's General Fund	–	(1,116,009,469)
Net Commonwealth Expense The Commonwealth expense, net of revenue reimbursements, is 47% of the total expenditures.		\$989,078,342

RATE STABILIZATION RESERVES STATEMENT

DESCRIPTION	BALANCE AS OF JULY 1, 2016	RECEIPTS	EXPENDITURES	BALANCE AS OF JUNE 30, 2017
Benefits for State Employees, Municipal Employees and Retirees				
Basic Life Insurance	2,415,372	21,992	–	\$2,437,364
Optional Life Insurance	16,967,733	15,179,978	2,000,000	\$30,147,711
Benefits for Elderly Governmental Retirees				
Health Insurance	231,484	2,567	5,780	\$228,272
Benefits for Retired Municipal Teachers				
Life Insurance	111,253	1,014	–	\$112,267
Health Insurance	10,249,217	68,784	4,685,170	\$5,632,831

EMPLOYEE TRUST FUND STATEMENT

DESCRIPTION	BALANCE AS OF JULY 1, 2016	RECEIPTS	EXPENDITURES	BALANCE AS OF JUNE 30, 2017
Benefits for State Employees, Municipal Employees and Retirees				
Health Insurance	2,334,394	245,711	55,766	\$2,524,339
Benefits for Elderly Governmental Retirees				
Health Insurance	89,610	1,490	8,615	\$82,485

STATEMENT OF EXPENDITURES

JULY 1, 2017–JUNE 30, 2018

DESCRIPTION	EMPLOYEE/RETIREE PREMIUMS	COMMONWEALTH EXPENDITURES
EXPENDITURES		
Administration (a)	–	3,613,913
Benefits for State Employees, Municipal Employees and Retirees	624,319,404	2,014,205,512
Health Insurance <i>(also includes Municipal Employees) (b)</i>	546,851,917	1,996,433,259
Basic Life Insurance	2,593,677	9,814,490
Optional Life Insurance	42,189,228	–
Long Term Disability Insurance <i>(State Employees only)</i>	13,389,773	–
Dental Insurance <i>(Retirees only)</i>	17,861,627	–
Dental and Vision Insurance <i>(State Managers & Legislators only)</i>	1,433,182	7,957,763
Benefits for Elderly Governmental Retirees (c)	15,365	75,761
Health Insurance	15,365	75,761
Benefits for Retired Municipal Teachers	11,504,789	47,251,148
Health Insurance	11,365,496	46,696,130
Life Insurance	139,293	555,018
Total Expenditures (a)	\$635,839,558	\$2,065,146,334

(a) Additionally, \$70,168 from employees' trust funds and \$1,304,057 from communities participating in the GIC's Health Insurance Programs were used to pay administrative costs.

(b) Does not include medical and prescription drug co-payments and deductibles.

(c) The EGR share includes \$6,730 from the EGR Trust Fund and \$4,582 from the EGR Rate Stabilization Reserve. These amounts are subsidies to the retirees' premiums.

STATEMENT OF REVENUE

JULY 1, 2017–JUNE 30, 2018

DESCRIPTION	EMPLOYEE/RETIREE PREMIUMS	COMMONWEALTH EXPENDITURES
REVENUES		
Housing, redevelopment and other authorities	–	142,867,048
Municipal Program Health Insurance	–	608,632,218
Elderly Governmental Retirees' Health Insurance	–	56,792
Retired Municipal Teachers' Health Insurance	–	48,664,084
Insurance chargebacks to state agencies receiving federal and trust funds	–	297,370,525
Leave of absence chargebacks to state agencies	–	479,502
Federal subsidy for Medicare Part D Program	–	1,635,783
Other income	–	3,364,594
Total Revenues		\$1,103,070,546
SUMMARY		
Total Expenditures	–	2,065,146,334
Total Revenue Credited to Commonwealth's General Fund	–	(1,103,070,546)
Net Commonwealth Expense The Commonwealth expense, net of revenue reimbursements, is 47% of the total expenditures.		\$962,075,788

RATE STABILIZATION RESERVES STATEMENT

DESCRIPTION	BALANCE AS OF JULY 1, 2017	RECEIPTS	EXPENDITURES	BALANCE AS OF JUNE 30, 2018
Benefits for State Employees, Municipal Employees and Retirees				
Basic Life Insurance	2,437,364	38,668	–	2,476,032
Optional Life Insurance	30,147,711	529,745	2,000,000	28,677,456
Benefits for Elderly Governmental Retirees				
Health Insurance	228,272	3,643	4,582	227,333
Benefits for Retired Municipal Teachers				
Life Insurance	112,267	1,781	–	114,048
Health Insurance	5,632,831	65,261	2,204,371	3,493,721

EMPLOYEE TRUST FUND STATEMENT

DESCRIPTION	BALANCE AS OF JULY 1, 2017	RECEIPTS	EXPENDITURES	BALANCE AS OF JUNE 30, 2018
Benefits for State Employees, Municipal Employees and Retirees				
Health Insurance	2,524,339	382,956	70,168	2,837,127
Benefits for Elderly Governmental Retirees				
Health Insurance	82,485	1,403	6,730	77,158