GROUP INSURANCE COMMISSION MEETING
Thursday, June 17, 2021
8:30 A.M. – 12:00 P.M.

Meeting held remotely through online audio-video platform (ZOOM), accessible through YouTube

MINUTES OF THE MEETING

NUMBER: Six Hundred sixty-two
DATE: June 17, 2021
TIME: 8:30 a.m.
PLACE: The Meeting was held virtually

Commissioners Present:

VALERIE SULLIVAN (Chair, Public Member)

BOBBI KAPLAN (Vice Chair, NAGE)

MICHAEL HEFFERNAN (Secretary of ANF) Designee William Archibald

GARY ANDERSON (Commissioner of Insurance) Designee Rebecca Butler

ELIZABETH CHABOT (NAGE)

ADAM CHAPDELAINE (Massachusetts Municipal Association)

EDWARD T. CHOATE (Public Member)

CHRISTINE HAYES CLINARD, ESQ. (Public Member)

TAMARA P. DAVIS (Public Member)

JANE EDMONDS (Retiree)

GERZINO GUIRAND (Council 93, AFSCME, AFL-CIO)

JOSEPH GENTILE (AFL-CIO, Public Safety Member)

PATRICIA JENNINGS (Public Member)

EILEEN P. MCANNENY (Public Member)

MELISSA MURPHY-RODRIGUES (Massachusetts Municipal Association)

ANNA SINAIKO, Ph.D. (Health Economist)

TIMOTHY D. SULLIVAN (Massachusetts Teachers Association)

Commissioners Absent: None

Commissioner Chapdelaine arrived at 8:40 a.m., Commissioners Murphy-Rodrigues and Sullivan left the Meeting at 10:33 a.m. and 11:38, respectively.

Call to Order

The Chair called the Meeting to order at 8:30 a.m. The Chair explained that the Meeting was being held via audio and video conferencing, described the video capabilities being used, and noted that the Meeting was being made public via simultaneous broadcast through YouTube. The Chair asked General Counsel to recognize all Commissioners and Designees present.

I. Approval of Minutes

The Vice Chair made a motion to approve the May 20, 2021 meeting minutes, as presented, which was seconded by Commissioner Clinard. The vote was taken by roll call and passed unanimously.

II. Executive Director's Report

The Executive Director provided an overview of the Meeting agenda. He noted that his written report was distributed prior to the meeting.

- Dependent Care Assistance Plan (DCAP)

The Executive Director stated that there have been no significant new developments regarding contribution limits for dependent care savings accounts since the prior meeting. Commissioner Tim Sullivan explained that the members of the Massachusetts Teachers Association are in favor of increased contribution limits. The Executive Director thanked Commissioner Tim Sullivan, stated that the GIC does not object to the concept of increasing the limits if there is a demonstrated need, and that the GIC will continue to monitor this matter. The Vice Chair thanked the GIC for their efforts and stated that she looked forward to any updates that may arise due to state or federal guidance on flexible spending accounts.

- Calendar

The Executive Director reviewed the FY2021 Calendar, discussed coming meeting topics and noted a busy autumn with the emphasis on the upcoming procurement.

- Office Move Update

The Executive Director stated that the GIC would move to One Ashburton Place on Monday, June 28 and described how GIC staff will continue to work remotely. In response to a question from Commissioner McAnneny, the Executive Director described the stages of the GIC's move, the GIC's hybrid work model, and the limited in-office expectations for the GIC's staff.

- Health Care Consultant and Life/LTD contracts to be signed

The General Counsel reminded Commissioners of their prior authorization for staff to move forward with the Metropolitan Life Insurance Company ("MetLife") as the apparent successful bidders for both the Life/Accidental Death and Dismemberment and the Long-Term Disability benefits. He stated that he will be distributing the signature pages for these contracts after the Meeting and that the full contracts would be available upon request. The General Counsel then described the work being undertaken to transfer the business to MetLife and thanked the GIC staff for their continued diligence in this undertaking.

III. Cost Drivers

- Discussion of Prescription Drugs

Jannine Dewar, Manager of Pharmacy and Ancillary Benefits, provided an overview of Pharmacy Benefit Managers ("PBMs") and explained how the GIC's contracted PBMs work for the benefit of the GIC's members. Deven Shah of Willis Towers Watson discussed the rise of pharmacy costs, and the impact these costs have on premiums for both Non-Medicare and Medicare plans. He noted that pharmacy costs represent roughly $900M annually which is 30% of the GIC's healthcare expenditures. In response to questions from the Chair, Mr. Shah and the Executive Director discussed how Medicare prices are set by federal regulations which help constrain rising prices, and therefore premiums, in those health plans and that there are no such price constraints that apply to health plans for active employees.

Mr. Shah reviewed PBM cost growth data and noted that while costs are increasing, member out-of-pocket costs have remained relatively flat. He noted that such cost increases result in higher premiums for the GIC. Mr. Shah reviewed the pharmacy landscape to explain why prescription drugs are so expensive, including research and development costs, patent protection, types of drugs and their manufacturing processes, the disproportionate expense of breakthrough drugs, and federal regulations. He described measure that the GIC employers to steer members to the lower cost pharmaceuticals. In response to a question from the Chair, Mr. Shah discussed how members can search for the best drug prices in their geographic area via tools the PBMs provide. A discussion ensued where the Commissioners asked questions about member utilization and efficacy of such online tools and, at the

discussion's conclusion, the Executive Director stated that the GIC needs to better communicate these resources to its members and the GIC will evaluate measure to do so through the PBM procurement.

Mr. Shah discussed the components of current pharmacy trends, as well as the factors that influence the pharmacy trends – including, utilization, unit costs, and drug mix. Mr. Shah explained the importance that drug mix has on the cost and provided examples of the costs of generic, multi-source brand-named, single-source brand name, and specialty drugs. He noted that specialty drugs were 63% of the Express Scripts (ESI) total costs and discussed other GIC trends. Mr. Shah explained that utilization of many drugs has a positive impact on the health of members and described the balance of encouraging savings while not discouraging utilization that adds value. He then discussed steps that the GIC takes to drugs promote value for members, and concluded by highlighting key drivers of specialty drug costs.

Ms. Dewar discussed the GIC's specific efforts to achieve pharmacy savings during fiscal years 2019 and 2020 and noted that the GIC, through ESI's and CVS's pharmacy management programs, saved over $1B. She noted, however, that cost increases described by Mr. Shah continue to outpace savings opportunities, primarily due to the expense of specialty drugs. Ms. Dewar then reviewed the key takeaways from the presentation, and the Executive Director concluded the presentation by noting that specialty drugs will be a sharp focus of the staff's work through the upcoming PBM procurement process. The Chair expressed her interest in focusing future presentations on specialty drugs, as they pertain to the GIC's membership, with granular information on treatments, costs, and expenses.

IV. Cost Trends

- Presentations by the Health Policy Commission (HPC) and Center for Health Information and Analytics (CHIA) on Health Care Costs and Premiums

The Executive Director then welcomed Ray Campbell, Executive Director of CHIA, and David Seltz, Executive Director of the HPC, and invited them to brief the Commission on data provided at the Health Care Cost Trend Hearings.

<u>CHIA</u>

Mr. Campbell discussed CHIA's role in measuring Massachusetts' healthcare delivery to promote evidence-based policy making. He discussed the data that CHIA collects and reviews including the hospital discharge database, emergency department database, all-payer claims database, payer expenditure reports and statewide surveys. He noted that CHIA has legislative authority to compel certain data. Mr. Campbell then reviewed CHIA's major

analytic activities in seven focus areas. He then described who CHIA serves and how CHIA works with multiple government agencies and the legislature. Mr. Campbell emphasized that there was a lot of data behind the summary provided in CHIA's 2021 Annual Report.

Mr. Campbell reviewed highlights from CHIA's 2021 Annual Report, and noted a 4.2% increase in per capita health care expenditures in Massachusetts from 2018 to 2019, which is well above the Commonwealth's 3.1 benchmark. Mr. Campbell reviewed enrollment by benefit design, noting growth within high-deductible plans, and a lack of growth in tiered and limited network plans. In response to a question from the Chair, Mr. Campbell stated that increased participation in high deductible healthcare plans is a national trend and that he was uncertain how the Commonwealth compared to that national trend.

Mr. Campbell reviewed cost sharing by market sector and noted that mid-sized and large employer-sponsored plans experienced modest cost sharing increases, while unsubsidized individual purchasers and small employer-sponsored plans experienced substantial cost sharing increases. He noted that the GIC's cost sharing decreased during the same period.

Mr. Campbell then discussed quality of care and noted that because Massachusetts has such high-quality health care, the differences may be difficult to discern. He described the areas of analysis, noted disruptions during COVID-19, and discussed data points, including race and ethnicity data. In response to questions from Commissioner Edmonds, Mr. Campbell discussed data that is currently available and data that CHIA would like to make available, noting that while many hospitals capture race and ethnicity data, most health plans do not do so to the same degree. He explained how such data can be obtained through statistical measures and sampling, and also described potential cooperation with health plans to obtain such data. Mr. Campbell stated that CHIA continues to increase its data gathering capabilities to better analyze healthcare quality and equity.

HPC

Mr. Seltz, noting the Executive Director's and Mr. Campbell's prior statements on collaboration and cooperation between state agencies, remarked that such cooperation is unique and puts the Commonwealth at the forefront of healthcare policy. He then discussed how this cooperation has a positive impact on the GIC's members. Mr. Seltz noted that state employee health administrators have become increasingly innovative in the effort to contain costs and discussed how GIC has the opportunity to shape healthcare policy and healthcare delivery beyond its member population.

Mr. Seltz provided an overview of the HPC and its goal of reducing total healthcare spending growth. He explained how the HPC sets a health care cost growth benchmark, which is based on the Commonwealth's long-term economic growth rate. Mr. Seltz described how the HPC can require healthcare providers to implement performance improvement plans, subject to the HPC's oversight. Mr. Seltz then described how the HPC also seeks to improve quality, while enhancing access and reducing overall spending.

David Auerbach, HPC's Senior Director of Research and Cost, compared the growth of annual spending versus the benchmark over the past seven years, noting that spending growth was above the benchmark in each of the past two years. He then discussed key drivers of commercial healthcare spending growth in 2019, noting that hospital spending accounted for 54% of spending growth. Mr. Auerbach then compared hospital commercial inpatient services prices to Medicare prices and reviewed the disparity in prices for certain services based on site of service as well as among all hospitals and by types of facility. He noted that some hospital prices are three times those charged by other hospitals for the same service. Mr. Auerbach then reviewed commercial hospital prices and noted a dramatic and historical increase in prices at the end of 2020, which the HPC will want to investigate further.

Mr. Auerbach reviewed data showing that spending on outpatient services delivered by hospital outpatient departments was substantially higher than spending for the same services delivered in an office setting. He further reviewed commercial prices for hospital outpatient services across hospitals compared to Medicare rates, noting the same price variation. Mr. Auerbach then reviewed other factors contributing to increased costs of outpatient services. In response to a question from the Vice Chair, Mr. Auerbach stated that he could only hypothesize as to what the impetus was for the increased hospital costs but speculated that there was a shift in market dynamics with hospitals gaining more leverage vis-a-vis the health plans as a result of Covid-19. In response to a question from Commissioner Sinaiko concerning whether the reduction of available procedures during the pandemic allowed hospitals to increase prices, Mr. Auerbach stated that it was difficult to know if that is true at this time.

Mr. Auerbach reviewed Total Medical Expenses (TME) by provider group against the Commonwealth's cost growth benchmark and noted that nearly all provider groups were above the benchmark. He explained that higher spending was largely due to increases in outpatient prices and noted that patients with providers affiliated with Mass General Brigham had outpatient spending that were nearly double that of patients whose primary care physicians are affiliated with the lowest cost hospitals.

Mr. Auerbach then discussed trends in specialty drug spending in the United States and noted the disproportionally high spending on specialty drugs compared to other drug categories. He also discussed the impact of low value care, explaining that such care is characterized widely as unnecessary, and provided examples. He further explained how the healthcare provider system was ultimately in control of such care, noting that provider organizations could develop flags in the electronic heath records to prevent these services, discuss changes in the standards of care with their providers and instruct providers not to do these procedures. Messrs. Seltz and Auerbach and the Executive Director responded to multiple questions from Commissioners, including: the impact hospital consolidation will have on the GIC and the healthcare market; why our capitalist system has not resulted in price competition in the healthcare market; the source data for the HPC's findings; and whether the observations expressed about "low-value" and "no-value" care is a widely accepted fact in the healthcare community. At the end of the discussion, the Executive Director stated that there would be a ten-minute break.

The Commission had a brief recess. [10:40 – 10:50 a.m.]

V. Health Equity

- State of Health Equity and Possible Interventions

Ms. Anshutz, Manager of Healthcare Analytics, provided an overview of how the GIC could use healthcare data for the betterment of the GIC and its members. She explained how the state of California targets specific conditions that are highly correlated to both race and income in an effort to provide preventative care to reduce more costly care associated with these conditions. She then explained how the GIC could make an impact on its member population by addressing these disparities. Mr. Seltz stated that the GIC, CHIA and HPC could work in collaboration to create a state-wide framework for a greater market impact.

Mr. Seltz explained that it is generally accepted that healthcare inequities exist and historically have existed. He noted the prominent healthcare disparities surrounding race during the pandemic and stated that the HPC has updated its mission statement to include the advancement of healthcare equity. Mr. Seltz reviewed the factors that contribute to negative health outcomes and described how the HPC will use its resources to advance health equity. The Executive Director noted the alignment of goals in this area among GIC, HPC, and CHIA, and how this alignment will allow the GIC to better serve its members. The Executive Director and Ms. Anshutz responded to several questions from Commissioners, including: the GIC's role in promoting healthcare equity; data surrounding healthcare inequity; the GIC's

efforts to date; the timing surrounding the fight against healthcare inequities, and the importance of producing tangible, positive results.

Commissioners thanked the GIC, CHIA and HPC for their efforts. Commissioner Edmonds stated that she was grateful that health inequities were being addressed with a level of seriousness that shows the commitment of the agencies involved. She further stated that she agreed with Ms. Anshutz assessment that combating health inequities in a meaningful way will take thoughtful analysis and a significant amount of time in order to obtain meaningful results.

VI. CFO Update

- FY22 Trust Fund Authorization Requests

Employee Trust Fund

The Chief Financial Officer ("CFO") referenced the Meeting materials and stated this was an annual request made to the Commission to allocate money from the Employee Trust Fund to supplement the FY22 information technology, administrative services, and communication budgets. He explained that the funds are derived from employee contributions and are spent on projects that benefit GIC members. He further explained that these projects are reviewed by senior staff and approved by the Executive Director. The CFO emphasized that these funds are only used when the GIC's needs exceed the applicable ANF/IT and GIC appropriations, which has not been necessary in recent years.

The CFO reviewed the specific budget requests for each of the areas. He also discussed the separate temporary employee authorization request stating that the GIC requests the continued authorization for the use of up to 10 temporary employees during FY22. The CFO stated that there is currently only one temporary employee there is no plan, at this time, to hire another temporary employee in 2022. The Chair stated that this is a request to spend up to the amounts listed but does not necessarily mean that the amounts requested and approved will be spent.

The Vice Chair made a motion to authorize the CFO to pay certain GIC expenses from the Trust Funds, as recommended, which was seconded by Commissioner Clinard. The General Counsel performed the roll call vote and the motion passed (15-0-1) with Commissioner Edmonds recorded as an abstention as she was unavailable at the time of the vote. The Chair noted that Commissioner Murphy-Rodrigues had left the meeting prior to the vote.

Retired Municipal Teachers' Life Rate Stabilization Reserve

The CFO stated that the next request is an authorization to pay certain expenses from the Retired Municipal Teachers (RMT) Life Insurance Rate Stabilization Reserve (RSR) account. He explained that recent activity surrounding the transfer of accounts associated with the change of life insurance vendors had shown that the RMT RSR account has a $1,684 liability owed to Hartford Life Insurance and Casualty Company and that the GIC needs authorization from the Commission to expend funds to pay the outstanding balance. In response to questions from the Chair, the CFO described the purpose of the account and why the account was segregated.

The Vice Chair made a motion to authorize the expenditure of $1,684 from the Retired Municipal Teachers' Life Rate Stabilization Reserve, as recommended, which was seconded by Commissioner Clinard. The General Counsel performed the roll call vote and the motion passed unanimously.

The Executive Director noted that Commissioner Sullivan was leaving the Meeting.

- COVID Claims Update

The CFO stated this would be the final report before the fiscal year ends on June 30th. He pointed out that the GIC's medical claims trend for fiscal year 2021 had returned to pre-COVID levels. He then reviewed COVID claims by month, noted that they remain high and that he would provide a deeper dive into the claims specifics in the fall. In response to a question from the Chair, the CFO stated that vaccinations could have contributed to the high dollar value of claims. The Executive Director stated that only the cost of administration of the vaccine is reflected in the GIC's budget, as the cost of the vaccine itself is paid for with federal funds.

- FY21 Spending to Date

The CFO reviewed the budget against claims and stated that the GIC was generally in line with budget expectations and explained that the GIC is expected to end the year roughly $93M under budget. He asked if there were any questions. There being none, he thanked his accounting team for their excellent performance during the year.

VII. Annual Enrollment

- Report on Annual Enrollment Activity

The Director of Operations ("DOO") discussed the amount of work done during annual enrollment and noted that the GIC handled 1,514 online contact form inquiries, 13,858 calls, 18,442 cases and documents through Salesforce, and that there were 23,517 unique website page views. He also noted that GIC health insurance carriers handled 14,508 calls during open enrollment. The DOO stated that online enrollment outpaced paper enrollment for the first time in the GIC's history with 9,398 enrollments via DocuSign versus 9,039 paper enrollments via DataBank. He cited the efficiency of DocuSign enrollments by noting that these were processed within two hours of receipt. He then reviewed the annual enrollment change report and described the preliminary findings, noting that 2,778 members transferred plans and that there was increased enrollment in UniCare, particularly the Plus plan. He explained that increased enrollment in UniCare has been a trend for the past several years.

In response to a question from the Chair, the DOO stated that the data presented on enrollment changes only reflects the members who made changes during the recent annual enrollment. GIC members were not required to proactively confirm that they did not want to make a change during annual enrollment. He explained that the GIC is reviewing the possibility of requiring members to reaffirm their decisions during annual enrollment and that a decision will be made prior to the next annual enrollment. The Chair encouraged the GIC to require all members to re-enroll on an annual basis stating that it would make employees proactively evaluate their plans to ensure that they are meeting the individual member's needs, and that it makes members better users of health care. The Executive Director concurred.

The DOO stated that the retiree dental plan remains very popular and continues to grow with 898 new enrollments and 40,608 total enrollments. He then discussed buyout applications during the year and reviewed total enrollment numbers by health plan.

Cameron McBean, Manager of Health and Ancillary Benefits, reviewed the flexible savings account (FSA) enrollment over the past four years noting a significant decline in health care FSA savings enrollments and a steady increase in dependent care FSA enrollments. He stated that he expects dependent care FSA participation to increase as schools and daycares reopen. Mr. McBean stated that participants in the FSAs have increased their dollar amount allocations year over year. He then described the extended grace periods for the previous and current fiscal years put in place due to Covid-19 impacts. In response to a question from the Vice Chair about how forfeitures may have impacted participation, Mr. McBean stated that unused balances were a very likely cause for reduced participation.

VIII. Other Business/Adjournment

The Executive Director thanked the Commissioners for allowing an extended meeting, and noted that there were a lot of technical presentations and that he expected the fall meetings will be more dynamic due to the upcoming procurement. The Executive Director thanked the GIC's management team and staff for performing admirably during a year that presented multiple challenges. He discussed new initiatives that had been undertaken, including cross-agency communication and member-friendly technology initiatives, and thanked the GIC staff for all their accomplishments.

- FY22 GIC Commission Meeting Schedule

In response to a question from Commissioner Clinard concerning whether future meetings would be remote or in-person meetings, the Executive Director stated that the Governor approved measures that allow for remote meetings through April 2022. He further stated that he would work with the Commissioners to ascertain their preferences and described a potential hybrid meeting model of in-person and remote participation. The Chair agreed with the Executive Director and stated that requirements, logistics, and individual preferences needed to be ascertained in order to make a determination on future meetings. She then discussed the value of having a few in-person meetings in the next year.

The Chair asked if there was any additional business before the Commissioners. There being no further business or discussion, the Meeting adjourned at 11:59 a.m.

Respectfully submitted,

Matthew A. Veno
Executive Director