GROUP INSURANCE COMMISSION MEETING
Thursday, November 16, 2023
8:30 A.M.-10:30 A.M.

Meeting held in person at: John W. McCormack Building, Conference Rooms 2&3, 21st Floor 1 Ashburton Place, Boston, MA 02108

MINUTES OF THE MEETING

NUMBER: Six hundred seventy-seven
DATE: November 16, 2023
TIME: 8:30 A.M.
PLACE: John W. McCormack Building, Conference Rooms 2&3, 21st Floor, 1 Ashburton Place, Boston MA 02108

Commissioners Present:
VALERIE SULLIVAN (Chair, Public Member)
BOBBI KAPLAN (Vice Chair, NAGE)
MATTHEW GORZKOWICZ (Secretary of Administration and Finance) Designee: Cassandra Roeder
GARY ANDERSON (Commissioner of Insurance) Designee: Kevin Beagan
JOSEPH GENTILE (AFL-CIO, Public Safety Member)
ANNA SINAIKO, Ph.D. (Health Economist)
TIMOTHY D. SULLIVAN (Massachusetts Teachers Association)
EDWARD T. CHOATE (Public Member)
TAMARA P. DAVIS (Public Member)
EILEEN P. MCANNENY (Public Member)
Commissioners Not In Attendance:
GERZINO GUIRAND (Council 93, AFSCME, AFL-CIO)
PATRICIA JENNINGS (Public Member)
MELISSA MURPHY-RODRIGUES (Massachusetts Municipal Association)
ELIZABETH CHABOT (NAGE)
JANE EDMONDS (Retiree)

Call to Order
Chair Valerie Sullivan called the Meeting to order at 8:30 a.m. and turned the meeting to Executive Director Matthew Veno who reviewed the agenda and thanked everyone for attending in person. The Executive Director turned the meeting back to the Chair.

I. Approval of Minutes
Commissioner McAnneny moved to approve the minutes and Vice Chair Kaplan seconded the motion. The minutes were unanimously approved by those voting.

II. Executive Director's Report

The Executive Director presented his report. He began by noting that GIC Operations staff who answer phones had been recently trained, in partnership with NAGE. He also noted two open positions, for Executive Assistant and Auditor II. He stated that there had been a notable uptick in municipalities evaluating whether to join the GIC's benefits, noted the 12/1/23 deadlines for municipalities to inform the GIC of their intent to join. He highlighted that there has been a focus on communications projects, particularly focused on annual enrollment.

The Vice Chair asked whether there had been any school districts interested in joining the GIC and requested to be notified if any decided to join. She also asked if a municipality or school district gave notice to join by 12/1/23, would they be joining for open enrollment this Spring. The Director of Operations, Paul Murphy, confirmed that they could join for the upcoming Spring open enrollment. The Executive Director noted that the GIC has thus far only received inquiries.

The Executive Director reviewed the Commission calendar, noting that moving forward this calendar will be presented using a Fiscal Year (FY).

He noted that, in December, the Commissioners will be presented with a first look at premium projections for next plan year. He invited questions from the Commissioners.

The Chair stated that the December meeting will be virtual and back on Zoom.

III. Presentation by Health Policy Commission

The Executive Director introduced the staff of the Health Policy Commission (HPC) and turned the meeting over to David Seltz, Executive Director of the HPC.

Davis Seltz stated that the HPC had just released its 10th annual Cost Trends Report and had held their annual hearings. He then provided a brief history of the HPC and its work. He noted that this year's Cost Trends Report includes policy recommendations regarding affordability, health outcomes, access and equity. He provided an overview of how costs have trended before and after the HPC's existence and noted that some years the market has been under the target and some years over. He stated that there is an accountability mechanism if payers and providers do not meet the benchmark and that the HPC also retrospectively reviews payer and provider spending, which is done confidentially. If the spending of a payor or provider is deemed to be excessive, the HPC will require a corrective action plan to reduce the spending growth. HPC has only required one corrective action plan in its ten years of existence, for Mass General Brigham.

Recapping the different roles that the HPC plays, he stated that they are engaged in research and reporting, partnership with individuals, groups and organizations to achieve mutual goals, convening stakeholders, questioning providers and payers, and monitoring and intervening when necessary to assure market performance. He turned the meeting to HPC Senior Director for Research and Cost Trends, Dr. David Auerbach, to speak in more detail about the 2023 Cost Trends Report.

The HPC published the Cost Trends Report in September and it looked at performance over the last 10 years, state-wide. He noted that while the last several years have been above the benchmark, they average out to close to 3.6% over the long-term. Despite the HPC's existence, health care cost growth is still much higher than inflation, wages, and salaries. Premiums have grown about three times as fast as household incomes and many more costs, such as increased deductibles, are shifting to individuals. There has been a huge growth of high deductible health plans, with 43% of those in commercial market enrolled in such a plan. The total cost of a health plan for a family is averaging around $26,000.00. He remarked at the enormity of this cost.

Dr. Auerbach was asked whether Medicare decisions impact what the HPC does, since the senior population and its need for care is growing rapidly.

Dr. Auerbach said that when commercial insurers think about how to pay providers, they often piggyback off Medicare's model, but will pay more. He noted that cost growth in Medicare has been slower than for the commercial insurance market. Pivoting back to the cost of care, Dr. Auerbach clarified that the average $26,000.00 for a family health plan includes all of the following: employer contribution to premiums, employee contribution to premiums, and the employee's payment of cost sharing. He noted that out of all the groups being paid by that money, hospitals take up the largest chunk, followed by physicians, prescription drugs, other professional providers, and other health care and administrative costs.

He was asked how this distribution of costs would compare to that of 5 years ago. Dr. Auerbach stated that, today, more care is being delivered at the hospitals, rather than the outpatient setting, and that the costs for prescription medications would be smaller.

Dr. Auerbach showed a typical budget for a family of 4, across various income levels, and emphasized that many families and individuals are making tradeoffs between health care and basic living needs because health care has become more expensive.

Mr. Auerbach stated that the per-member annual growth rate in spending between 2019-2021 was 7% for prescription drug costs, 5.4% for hospital outpatient services, and 4.3% for hospital inpatient services. He noted that while the number of hospital stays have been decreasing over the last few years, the costs of such stays have risen.

Commissioner Sinaiko asked if the Commonwealth's trend is higher than the rest of the country. Dr. Auerbach said that he thinks the answer is yes, but he doesn't have an "apples-to-apples" breakdown to compare states.

Dr. Auerbach was asked about hospital mergers and hospital use and whether people who cannot afford basic care wait until it is unavoidable, thereby making it more expensive. He stated that if you look at all people who have commercial insurance and segment them by income, we see a trend in which those who are in the poorest areas have lower office and urgent care visits and a lot more hospital care; it's the opposite in more affluent areas. He discussed that the driver of the spending growth is mostly price growth, and focused on 7 service categories with excessive spending amounting to $3.0 billion in 2021.

He also noted that the costs for branded prescription drugs grew rapidly, increasing 15% in 2021. The average prescription drug costs $1,000 per fill with 6% exceeding $5,000. He also noted that there is a lot of difference in pricing for common diagnostic tests, with those performed in hospital outpatient departments being the most expensive. This is true both for insurer payments and out of pocket costs for individuals.

He explained that compared to Medicare, all costs of private insurance are higher, with the cost of many services and settings being more than two times Medicare. In some states, for instance Oregon, there is a cap of 185% of Medicare for state employee insurance payments. Comparatively, if Massachusetts did this, we would save around 12% on spending for these services.

Dr. Auerbach was asked about the how hospital CEOs are responding to the rising costs, whether they complain about labor shortages, and what they are doing with any extra money. He responded by making the distinction between CEOs having talking points versus looking at the data. He spoke about an initiative in Rhode Island where costs and growth were capped yet those companies found a way to earn positive margins.

Dr. Auerbach was asked a follow up question about growth in hospital advertising and its impact. He stated that the goal of hospitals is to make themselves essential to health plan networks, so that they can command higher prices and have more bargaining power. Advertising may help them attain that goal.

Dr. Auerbach was asked to comment on narrow network products. He noted the tendency in the Health Connector for consumers to buy narrower network plans that don't include Mass General Brigham. He surmised that people without premium subsidies may be attached to those plans since they pay full cost premiums. People are willing to have a narrow network when they're paying the full cost.

Dr. Auerbach was asked what can be done to reel in the cost of prescription drugs. Director Seltz replied, acknowledging that the trends are sobering and unsustainable. He said that current tools are not strong enough to moderate these trends and, if there isn't something done urgently, there will be no way for care to stay affordable. Even having only a few members on expensive specialty medication can make a huge impact to a self-insured plan's costs.

Director Seltz reviewed the HPC's policy recommendations:
Strengthening the HPC cost growth benchmark; constraining excessive provider prices; enhancing oversight of Pharmaceutical Spending; greater health plan accountability; advancing health equity; reducing administrative complexity; strengthening tools to monitor the provider market and aligning supply and distribution of services with community needs; and supporting and investing in the Commonwealth's healthcare workforce.

Commissioners commented that incentives are more impactful than penalties and suggested that perhaps private-public partnerships would be valuable to reel in costs. Mr. Seltz stated that MassHealth is working on some initiatives that might be a model as such. Executive Director Veno noted that the GIC is learning from MassHealth and is trying to leverage the work of colleagues in state government, in

general. He reminded Commissioners that the GIC has taken direct steps to set expectations for our plans meeting the benchmark through procurements and contracting. He further stated that site neutral payments and health equity, social determinants of health, and income data, which we don't currently have, are also of interest to the GIC, moving forward.

At the conclusion of the HPC presentation, the Chair handed the meeting to Chief Financial Officer Jim Rust to provide the Audit Services Recommendation.

IV. Audit Services Recommendation

The CFO stated that his team had completed the Audit procurement and was recommending the contract be awarded to Claims Technology Inc. (CTI) for auditing our health plans and our pharmacy claims, and noted that during this contract term we would for the first time be auditing mental health parity (MHP) compliance and requirements. He provided an overview of procurement process and assessment criteria, along with a list of bidders and scoring. He remarked that both firms/bidders provided very good bids, but that the team is recommending CTI because they provide legal support regarding MHP and has superior benchmarks for health plan auditing.

The CFO was asked why CTI scored higher in the Supplier Diversity Program (SDP) and the impact of CTI's higher costs. He replied that SDP is spending on all diversity partners across their business and there's a set formula for evaluation. Answering a question on cost comparisons, he stated that CTI's costs are about $10,000.00 per year more, so $40,000.00 in total.

The CFO was next asked if there were any concerns with CTI based on our experience with them as the incumbent. He stated that while they have had some staffing changes, overall the GIC has been happy with them.

There were additional questions about whether appeals and denials are reviewed in the course of an audit and whether the company is required to disclose any conflicts of interests. The CFO affirmed both.

The Chair called for a vote. Commissioner Choate moved for approval of the recommendation and instruction for the GIC to proceed with contracting, which was seconded by Commissioner McAnneny. The vote was approved unanimously.

V. CFO Report

The CFO provided the financial report, stating that the GIC was generally on budget. He noted that we would not have enough data to understand in detail all the cost drivers until later in the year. Through November, the GIC was $18,000,000.00 under budget, but that doesn't mean that the GIC will be under budget at the end of the year. He noted that it is within the normal range, with about 1.8% variance, and there is lot of the year left.

The CFO was asked how this year's trend compared to last year. He stated that the prices have gone up, so the whole line of costs are up. He noted that while the GIC is on budget, it is spending more, overall. He explained that people are using similar levels of services, but the prices are higher.

VI. Other Business and Adjournment

The Chair asked if there were any other business matters to discuss. There being none, she noted that the next meeting would be December 21, 2023 and will be virtual. She then asked for a motion to adjourn. Commissioner McAnneny moved to adjourn, which was seconded by Commissioner Choate. The motion was approved and the Chair then adjourned the meeting at 10:30am.

Respectfully submitted,

Matthew Veno
Executive Director