

GROUP INSURANCE COMMISSION MEETING

Thursday, November 21, 2024

8:30 A.M.-10:00 A.M.

Meeting held virtually through online audio-video platform (ZOOM) and accessible on the GIC's YouTube channel.

MINUTES OF THE MEETING

NUMBER: Six hundred and eighty-six
DATE: November 21, 2024
TIME: 8:30 A.M.
PLACE: Meeting held virtually through online audio-video platform (ZOOM) and accessible on the GIC's YouTube channel

Commissioners Present:

VALERIE SULLIVAN (Chair, Public Member)
BOBBI KAPLAN (Vice Chair, NAGE)
MATTHEW GORZKOWICZ (Secretary of Administration and Finance) Designee: Martha Kwasnik
MICHAEL CALJOUW (Commissioner of Insurance) Designee: Rebecca Butler
JOSEPH GENTILE (AFL-CIO, Public Safety Member)
TIMOTHY D. SULLIVAN (Massachusetts Teachers Association)
EDWARD T. CHOATE (Public Member) - Not in attendance
EILEEN P. MCANNENY (Public Member) - joined late at 9:06 A.M.
MELISSA MURPHY-RODRIGUEZ (Massachusetts Municipal Association)
JANE EDMONDS (Retiree)
GERZINO GUIRAND (Council 93, AFSCME, AFL-CIO)
CATHERINE WEST (Public Member)

Commissioners Not Present:

ANNA SINAIKO, Ph.D. (Health Economist)
JASON SILVA (Massachusetts Municipal Association)
TAMARA P. DAVIS (Public Member)
ELIZABETH CHABOT (NAGE)
PATRICIA JENNINGS (Public Member)

I. Agenda and Approval of the Minutes

At 8:30 A.M. Chairperson Valerie Sullivan gave opening remarks. General Counsel Andrew Stern announced the attendance of Commissioners. Executive Director Matthew Veno provided an overview of the agenda. A motion was made and seconded to approve the Minutes of the September 19, 2024

meeting. The vote passed unanimously of the voting members and with two abstentions. [Commissioner Gentile submitted his affirmative vote in the meeting chat as audio was not working.]

II. Executive Director's Report

The Executive Director presented his monthly report which covered new hires, the GIC Language Line translation services, an update of the impact of the new hire reduced waiting period, and other topics.

Commissioner Kaplan asked about insurers who are experiencing contracting challenges with providers. The Executive Director said that while the GIC's insurance vendors are still negotiating, GIC was working closely with carriers to ensure they are prepared to assist members to transfer to other providers, in the event agreements could not be reached.

The Executive Director next reviewed the Commission's calendar and highlighted major milestones.

III. Health Policy Commission

The Executive Director then introduced David Seltz, Executive Director of the Health Policy Commission (HPC), to speak on health care cost trends.

Executive Director Seltz began by commending the GIC for their work on the reduced waiting period for coverage. He provided a background on the HPC. He noted that the HPC conducts its own research and reporting and convenes statewide stakeholders to discuss the state of health care affordability and costs. He provided an overview of the state's historical performance against the health care cost growth benchmark. He noted that there are some really concerning warning signs of accelerating cost growth, particularly in the commercial market.

Mr. Seltz then reviewed data on the Commonwealth's trend as compared to the overall US. For many years, he noted, the Commonwealth's growth rate was below the US, however, this ended in 2019. He stated that in recent years, the Commonwealth is actually exceeding the US spending trend.

Commissioner McAneny asked about the COVID years. She said that the Federal Government poured a lot of money into the healthcare system during those years and asked if the HPC's analysis includes the Federal funding. Mr. Seltz confirmed that the COVID relief funding was factored in.

Executive Director Veno stated that the GIC has been seeing warning signs of rising provider prices and contentious rate negotiations since before the pandemic and while there were things that were worsened or caused by COVID, these trends predated COVID.

Mr. Seltz then showed the healthcare commercial spending growth in Massachusetts compared to US commercial health care spending growth, general inflation and median family income growth. He stated that looking at family income growth is important because when it does not grow as much as healthcare costs, employees and their families end up paying more out of pocket and have far less income overall for other of life's needs. He then reviewed data illustrating where the healthcare growth was coming from, with prescription drugs and hospital outpatient spending driving growth. He particularly noted the contribution of rising costs for prescription drugs. He talked about the price versus utilization dynamic and noted that price is the major driver for spending growth. Director Seltz also presented data on changes in the site-of-care of services.

Commissioner McAnneny asked whether one of the takeaways should be that primary care is being performed in the hospitals more than before. Mr. Seltz said that there is not a perfect answer to that question, but it is a good question to be asking. If care is moving from inpatient to outpatient, he noted, that would usually be cost-saving, but the converse is true if that shifting care is delivered in the outpatient hospital setting rather than an office setting. The Massachusetts system delivers lots of care at the hospitals that ought to be done in physician office settings, he stated. Many patients have no idea, he continued, that these providers delivering this care are operating under the more expensive hospital license. He explained that the care could be delivered in a completely separate office building not anywhere near the hospital.

Vice Chair Kaplan asked about virtual visits. She remarked that virtual visits were trending very high during the pandemic, and asked whether it has leveled off. She also asked if there had been a decrease in primary care virtual visits. Mr. Seltz said that primary care telehealth visits were decreasing as that type of care has been going back to in-person. He stated that virtual visits, overall, are still at a higher rate than pre-pandemic, but lower than during the pandemic. The high level of virtual visits for mental health, however, has stayed high post-pandemic.

The Vice Chair then asked about the lack of primary care physicians and the impact that is causing. Also, she noted that many primary care providers are moving to boutique services and asked what that means for the GIC.

Mr. Seltz shared that the proportion of health care spending on primary care is going down, emphasizing that the wait times for primary care in Massachusetts are among the worst in the country. Part of this is that primary care providers are burned out and not paid well. He stated that it is a highly concerning trend because when those physicians make the decision to move to a boutique practice, patients have to spend \$5,000-10,000 to join such a practice and many cannot afford that. He predicted that the boutique trend will exacerbate the existing primary care problem. It creates a system, he said, of “haves and have nots.” Often, too, he noted, boutique practices are decreasing their patient panel size. He underscored that the Governor pledged to focus on the primary care shortage in the coming year.

Mr. Seltz said that they see this throughout the pipeline. Medical residents are not choosing primary care or internal medicine, he stated, and remarked that it is a big problem. He emphasized that Massachusetts cannot meet the goals of health equity if primary care continues to erode.

Chair Sullivan hypothesized that if we have a reduction in primary care, there will be more specialists and that will drive costs up further. She asked if there is anything that the GIC could do to help.

Mr. Seltz said that there is a big push for all stakeholders to come up with solutions and that collectively they need to reorient the market so that medical students will choose primary care again. Some states, he said, are pushing not only to tamp down overall spend growth, but also to shift spending back to primary care. In Massachusetts, only 7.7% of spending is on primary care. Spending in that area could increase quickly if the growth of other areas were moderated. The administrative burden that is being placed on the physicians is also noteworthy, he said, and noted that for every one hour of clinical time, physicians typically spend two hours on administrative work.

Commissioner West asked if Mr. Seltz could speak more to the hospital outpatient cost growth issue. The premise, she said, in creating integrated organizations was that the hospitals would decrease costs if

they shifted care from inpatient to outpatient, but that has not happened. She asked what policies he would recommend for this area. Mr. Seltz started by saying that since Medicare pays more for outpatient services delivered in a hospital setting, rather than an office setting, which incentivizes care to be provided in the former. MEDPac, he said, has recommended equalizing payment for those services through “site neutral payment policies” and eliminating facility fees. Another dynamic is that patients do not necessarily know this information and they might be paying more than necessary out of pocket.

Mr. Seltz then noted that branded prescription drugs are growing at a very fast rate with a small number of drugs having extremely high and rising costs. He said that this small, high-cost group is increasing. He stated that Massachusetts has the second most expensive family premiums in the US. The average family healthcare premium is around \$26,000 and if copays and deductibles are added, it’s closer to \$29,000. This exceeds the cost of housing in most parts of Massachusetts. Often families are shielded because the employer is picking up a lot of the costs, he noted, but it eats into wage increases and other important priorities. Also, he said, Massachusetts residents are reporting increasing affordability challenges, like not getting the care they need due to costs, and it is disproportionately experienced by non-white residents. Medical debts are increasing as well. A 2024 survey found that 68% of people are extremely concerned about the cost of care. Also, when asked what the most important issue is in healthcare, he noted that 51% cited costs of care. Chair Sullivan suggested having Mr. Seltz back to talk about some of these areas in a deeper way.

Commissioner Choate asked how much of the pharmacy costs are being driven by weight loss drugs and asked if the GIC is seeing similar trends. Mr. Seltz presented data on weight loss drug use. He said that he expects that the cost burden will double again soon. Just through September of 2023, he said, spending on these medications was estimated at \$270,000,000. He suspects that cost will triple and it will continue to rise. The CEO of Blue Cross Blue Shield, Mr. Seltz noted, projected roughly a 10% growth in spending and that two of those percentage points were due to GPL-1 drugs for weight loss.

Executive Director Veno said that the GIC had similar projections that have come to be true. He noted that some of the flow of these drugs had been temporarily constrained based on manufacture availability but that as more manufacturing capacity has come on line, the utilization is sharply increasing.

Commissioner McAnneny agreed that this is a crisis and requires systemic change. She expressed concern that the systemic change will not happen and asked who is best positioned to lead the change. Mr. Seltz stated that this moment requires the concern, urgency, and commitment of all groups impacted. He said that all stakeholders need to set aside the self-interest of their own organizations to try and solve a larger civic problem. It threatens something that we care about – our healthcare system – and what it means for the people who work and live here. He said that the current path is unsustainable. People are not getting care they need due to cost, in a state with some of the highest incomes. He said he is not sure who is the right person to lead the change, but that the Governor has stated an intention to focus on affordability.

Executive Director Veno said that state government works best when everyone pulls together and reforms with a commitment to changes. These are system problems that require system solutions.

IV. Affordability Update

Jim Rust, the GIC's Chief Financial Officer and Chief Procurement Officer, then gave an affordability update. He reviewed both the GIC's goals and its strategic pillars. The GIC's medical and pharmacy procurements resulted in changes estimated to have been highly successful for cost savings. The Pharmacy Benefits Manager (PBM) contract provides very strong discounts and rebates, he said. He noted that the GIC's spending is slightly higher than the average, in part due to our comparatively older population. The primary driver, he said, continues to be provider pricing, as Mr. Seltz noted to be true for the broader market. He noted that the GIC has a low member cost-sharing compared to other employers, and its plans retain high actuarial values. He said that the GIC is looking at efficiency and is focusing on several areas like out of network expenses, alternative site-of-care payment models, strategies to better manage chronic conditions, and efforts to ensure that members are getting care at the most appropriate site for more routine services. The GIC focuses on vendor oversight to ensure that our vendors do everything that they can to control costs. He noted that the GIC has performance guarantees that include a cost growth benchmark for spending. The GIC is also exploring new market offerings and continues to push to have transparency with provider negotiations.

Executive Director Veno said that the GIC and the commercial market are in a new phase of challenges in balancing and maintaining quality, given the market growth trends, and sustaining affordability. He said that the GIC is shifting its thinking to reflect the escalating sense of urgency. It will take a new level of innovation to solve these problems, he said. Cost share is not going to solve the problem, but we will need to look at how and how much we pay for services.

Designee Butler stated that the DOI is planning a series of information sessions, starting on 12/3, at which they will discuss the role of the Division, the causes of hospital rate increases, utilization in hospital settings, pharmacy spending, and other cost drivers. Commissioner Choate suggested that the GIC needs to go bigger and take risks in order to be effective in this cost crisis. Commissioner McAnneny underscored what Commissioner Choate said and that the GIC should think about focusing on helping primary care through the way we reimburse.

The Vice Chair felt that the discussion had been insightful but very concerning. She agreed that the GIC should take very bold moves. She inquired about increases across carriers. The CFO stated that he did not have that information, but will provide it to her at a later date.

Designee Kwasnik recognized that the GIC had done great work in this area and would continue to have them focus on affordability.

V. Other Business and Adjournment

The Chair thanked the presenters, GIC staff, and Commissioners for their engagement. She asked for a motion to adjourn. Commissioner Gentile made the motion, seconded by Commissioner McAnneny. It passed with unanimous votes.