Prepared Testimony
As delivered by Roberta Herman, MD, Executive Director, Group Insurance Commission
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Good morning Chair Spilka, Chairman Welch, Chairman Lewis, Chairman Feeney and distinguished members of the legislature and other guests.

Thank You & Accountability
First, let me start off by thanking you for inviting and having me here today. Upfront, I would like to acknowledge that as the Executive Director of the Group Insurance Commission, I take accountability for the events that have transpired over the past several weeks. Though unintended, I now understand – full well -- the concern, confusion and havoc that have ensued. I know that job one is to conserve high quality coverage and manage health care costs for the state and our employees, and this morning, I intend to take you through the journey we've been on to achieve this and to ground you in where we are today.

But, before we get to the topic at hand – the very important issue of benefits and health insurance coverage for individuals and families throughout the Commonwealth – I wanted to take a moment to tell you a little about who I am and the journey that led and inspired me to tackle the opportunity to lead the GIC.

A Personal Journey that Shaped My Approach to Health Care and Public Service
It was the late 1980s. I was a young doctor providing routine care, but more specifically, I was also treating terminally ill HIV and cancer patients in a community setting. There is one man I remember distinctly. He had HIV. He wasn't just any man, he was also one of my colleagues. Over the tenure in which I cared for him, I played the role of not only his doctor – but also one of a listener, a confidant, a protector….and a navigator. I saw first-hand, very early in my career, the ins-and-outs of the health care system – the good, the bad, the ugly.

In addition to being a doctor, I am also (and perhaps most importantly), a mother. Although my family has been mostly blessed, we have also had our fair share of health care challenges. I myself endured several difficult pregnancies and raised a child with special needs.

More recently, I scrambled to find services for an unstable teenager who needed day treatment for her condition.

Furthermore, I am the primary wage earner in my family, and, I am undoubtedly the person in our household who makes the decisions about my family's health care. Our 2 children are both under age

26: one gainfully employed as of 3 weeks ago (*halleluya*). The other lives out of area as a student at Tulane University.

And yes, we are enrolled in GIC benefits – a question many of our constituents are curious to know. Specifically, my family and I are enrolled in Unicare Plus plan.

Lastly, just like you and the members we have heard from on our listening tours, at our public hearings and in countless other ways over the past few weeks, I am a state employee.

In short, suffice it to say, I am acquainted with healthcare in the Bay State – as a physician, a mother, a patient *and* as a GIC member.

Snapshot of a Professional Career

Now that I've told you a bit about me personally, I wanted to spend a moment telling you about my professional background.

I've spent my entire professional career in health care. As I mentioned earlier, I began as a primary care physician at the then Harvard Community Health Plan (HCHP) in Cambridge. I specialized in Community Medicine, and obtained an MPH equivalent degree at McGill University. By 1992, I was promoted to Chief of Internal Medicine. In 2001, after HPHC had merged with the Pilgrim IPA to become Harvard Pilgrim Healthcare, I became Chief Medical Officer. Lastly, I served as the Chief Operating Officer of HPHC until my departure from the company in June 2013. From there, I was recruited to join the Healthcare Practice at Navigant Consulting.

Why the GIC?

Early in my career, I was called to serve. First as a doctor, and as my journey went on, I sought additional opportunities to give back to the community. Having served in the health care space as a physician, manager, health plan executive and consultant, I always had an eye on how I could leverage my experience and skills to serve the greater good.

In 2016, I was entrusted to serve as the next Executive Director of the Group Insurance Commission. Our goals, as I understood and presented them to the Commission early in my tenure were and remain as follows:

1) Provide access to high quality, affordable benefit options for employees, retirees and dependents;
2) Limit the financial liability to the state and others (of fulfilling benefit obligations) to sustainable growth rates;
3) Use the GIC's leverage to innovate and otherwise favorably influence the Massachusetts healthcare market;
4) Evolve business and operational environment of the GIC to better meet business demands and security stands.

Lofty? Perhaps. But, I love wandering into new terrain and tackling *great, big important* challenges….and, I must say, I have *not* been disappointed.

About the GIC

As far as state agencies go, we are relatively small. Currently, we are comprised of approximately 60 full time employees. Amid that, we manage a budget of nearly $2 billion as well as the healthcare administration of more than 400,000 active state and municipal employees, as well as retirees.

Given the scope and scale of our reach, I've also discovered over the past nearly two years that we we're operating in a needlessly complex environment with outdated strategies, limited tools for members and highly manual, paper-based processes.

Over the past few months, I have recruited a new executive team, most of whom have only been on the job for about 6 months, to help lead our modernization and improvement efforts.

When I arrived, we were in the 4th year of a 5 year cycle of relationships with many vendors, including our health care consultant, our health plans and our behavioral health vendor. Our contracts and members' coverage needed to be renewed for July 2017, with contracts expiring on June 30, 2018.

What does this all mean? Essentially, we had to go out to bid on nearly every vendor contract within the GIC just about as soon as I arrived.

The Months Leading up to the Vote & Where we are Today

Amid that backdrop, and to address the more pressing concerns of today, our 'business story' begins more than a year ago…

Unfortunately, in November 2016 we received unfavorable financial news. Initial rate increases for this year (FY18) were coming in at double digits, all while state revenues were not meeting expectations.

Knowing this, we set out to tackle this challenge in several ways:

First, we conducted a market analysis and benchmark study to evaluate just how "poor" or "rich" the current slate of GIC products was compared to national norms and local benchmarks.

Second, we negotiated as best we could with our health plans and Pharmacy Benefits Manager (PBM). As a result, we froze enrollment in plans that were running poorly from Tufts, Harvard, and Fallon. Unfortunately, we also had to increase premiums, co-pays and deductibles for our members in order to comply with our appropriation.

As had been the practice at the GIC for decades, we held a single public hearing and met with members for two hours in Boston on February 1, 2017, and, I won't mince words, members were livid. We heard that members were tired of healthcare costs rising faster than wages and that we needed to help manage future increases. We had our mandate.

The GIC worked through open enrollment and immediately turned attention to FY19 – it was official, our procurement was underway.

Starting in July of last year, we began to reprocure for pharmacy, behavioral health and medical benefits, including socializing the concepts of consolidation and simplification with our commission. Armed with feedback from last year, we also undertook a campaign to engage and listen to our members.

First up was our pharmacy procurement, where as part of our larger consolidation strategy, we decided to carve out pharmacy across all of our plans to maximize savings for the state and our members. This move alone is expected to result in over $500 million of averted expense over three years. The purpose of this is to leverage our purchasing power of PBMs like ExpressScripts and CVS CareMark.

Second, we decided to carve back in behavioral health, meaning, we would insist that our medical health plan partners would integrate behavioral health benefits for our members.

Third, we recommended moving to a completely self-insured model to improve data transparency and consistency, and avoid unnecessary administrative fees.

On October 11, we launched a member survey – the first of its kind for the agency in more than a decade. The survey was administered online and conducted over a two week period. It was promoted on social media, our website and through our health plans' channels as well. During this time, we heard from more than 8,000 members who were concerned about the erosion of their benefits, rising costs and wanted to make sure they were able to keep their doctors and hospital networks. This confirmed our mandate.

In addition, from October 30 through the end of December 2017 we conducted a listening tour across the state and spoke to members and key stakeholder groups in cities ranging from Springfield to Framingham to Worcester to Boston and Dartmouth. Further, we engaged specific groups who had concerns, including my presentation to the Massachusetts Teachers Association on December 2 at the invitation of Commissioner Tim Sullivan and MTA President Barbara Madeloni.

As we moved through the highly competitive, rigorous and data-driven procurement process, regular updates were provided in an open forum to the commission, including a timeline of the various events and key decision points. Through this, I would also like to underscore the unpredictability and confidentiality of the procurement process.

As outlined in OSD policies, we were forbidden from communicating specific details of any designated changes until the commission voted on January 18.

This actual GIC vote was made after a six month process that began in July 2017 and marked a significant evolution from the way GIC has typically managed the vendor selection process. As is

reflected in the meeting minutes of our Commission, the GIC approached this procurement process looking to achieve better value for our members and to slow the trend of annual escalating premium and out of pocket increases. This, all while protecting benefits and ensuring members could keep their doctors and hospitals.

As you well know, the decision to reduce our insurance carriers from six to three caused significant frustration and distress among our stakeholders. Over the past three weeks and in advance of the next two phases of three step process (vendor selection, benefit design and pricing), I have heard these concerns directly from our members throughout the Commonwealth.

Since the vote of the GIC on January 18, my team and I have led ten public hearings from Pittsfield to Cape Cod and many places in between to get input before proceeding to benefit design and pricing. I have listened intently to more than one thousand individuals who took time out of their busy schedules to share their concerns and frustrations. What I learned early on in this public engagement process is that the proposed changes to our health insurance carriers caused overwhelming anxiety for many families – and for you.

It became clear to me last week, that, despite our efforts, as an agency responsible for the healthcare of our workforce, we were only scratching the surface when it came to addressing the questions resulting from our recommendations. And, time has not been our friend. In the future, I look forward to expanding and strengthening our outreach to key stakeholders such as unions, legislative leaders and many more across key channels, including digital and otherwise.

To that end, our commissioners will reconsider their decision to consolidate our health insurance carriers at their regularly scheduled meeting tomorrow. Given that the decision is in the hands of commission, the GIC can not predict nor determine the outcome of this vote; however, we are putting forward an option that involves the inclusion of a larger set of carriers, including all qualified incumbents.

Moving Forward Together

While I recognize that our agency did not meet the expectations of our members, legislature and others, my testimony today is an opportunity to begin a fresh discussion regarding the role of the GIC, its mandate, the processes that support and surround it, and its proper place in the health insurance marketplace.

Public managers and their employees should be empowered to bring forward bold ideas that provoke civil and substantive discussion. The continuing rise of health care costs is an issue for which there is no immediate cure, but I assure you that GIC takes seriously its responsibility to use every resource available to deliver to its members' competitive, quality insurance coverage at the greatest possible value.

We are also committed to learning from this process. As a physician, mother, state employee, Executive Director and GIC member, I look forward to working more collaboratively with you and our members to meet the challenges before us in an open and thoughtful manner.