



WAY TO GROW

2013 Annual Report



A YEAR OF GROWTH



At Fallon Health, we take great pride in rolling up our sleeves to make things better. Guided by our mission, *making our communities healthy*, we collaborate with our members, physician and hospital partners, employers, brokers and legislators to make certain that everyone has access to high-quality and affordable health care. Together, we're growing toward a stronger, healthier future.

Because of this ongoing commitment, today more people than ever before receive comprehensive health insurance, coordinated care, caregiver support and health incentives from Fallon.

Sustaining meaningful growth is never easy. But, in the dynamic and competitive health care environment that exists today, Fallon has many tools on hand to cultivate great ideas:

- 37 years of innovation
- An engaged and dedicated workforce (over 1,100 strong)
- Corporate values of being member-driven, innovative, accountable and dedicated to teamwork
- A steadfast focus on our mission and business goals

Of course, the strength derived from our partnerships is helping to revolutionize the way care is delivered and, in turn, making lives better.

In this year's report, Fallon's growth is reflected in how we've prudently managed our business fundamentals—membership, revenue and investments. You'll see that we also measure growth by the steady progress we've made in expanding our products, service area, technological and operational capabilities, wellness offerings, member benefits, locations, and charitable giving and outreach to the community.

At Fallon, standing still is not an option. Our momentum during a year of change in our nation's health care is what differentiates us as a leading health care services organization and one of America's top health plans.

As the saying goes, "The best time to plant a tree is 20 years ago; the next best time is today." We'd say Fallon has done an extraordinary job in planting our "tree"—37 years ago—and as highlighted in our 2013 timeline, we continue to take advantage of today's opportunities to make new connections for positive changes in the health and well-being of our members.

We're both very proud to be leading Fallon Health during such an important time in its history—and its future. As you will see in this year's report, hard work yields results, all of which are channeled into improving the health of the communities we serve for many years to come.

David W. Hillis
Chairman, Board of Directors

Patrick Hughes
President and Chief Executive Officer

David W. Hillis

Patrick Hughes

GROWING IN ALL THE RIGHT WAYS

Fallon established its roots in 1977 and has a long history of pioneering many firsts:

- **1977** – The first HMO in Central Mass., promoting a new concept of care by which members pay a fixed price for their health services from a select network of providers
- **1980** – One of the first Medicare HMOs in the country, which is now a model Medicare Advantage plan for seniors
- **1979/1980** – One of the first Medicaid Managed Care Organizations in Massachusetts, which continues to expand its services to low-income children, families and people with disabilities
- **1995** – The first insurer in the nation to become a provider of care with PACE, a Program of All-Inclusive Care for the Elderly. Our PACE program, Summit ElderCare®, provides a team approach to care that gives elders an alternative to nursing home care.
- **2010** – A coordinated care program, NaviCare®, helps its members, age 65 and older, navigate health care and live safely at home.
- **2013** – One of the first in the nation to participate in a dual demonstration plan for individuals, age 21 – 64, who have complex care needs. Fallon Total CareSM, a Massachusetts One Care plan, integrates this care.

2013: A TIME VINE



JANUARY

Fallon's commercial network grows, giving members of Select Care, our broad network HMO, full access to the doctors and hospitals of **Boston-based Partners HealthCare**, which includes Massachusetts General Hospital and Brigham and Women's Hospital.

Fallon launches a **new caregiver resource**—fallonhealth.org/caregiver—to provide expanded support and solutions for people serving as caregivers for relatives and friends.



FEBRUARY

The **Fallon Mobile ID card** arrives—an exciting tool to help members navigate the health care system with ease. Fallon is the first health insurer in the state to offer this convenient app.



MARCH

myFallon, a secure, easy-to-use web portal, offers new self-service tools for members to manage their health insurance and get answers to their claims and benefits questions.

Fallon opens a **Worksite Wellness Center** at the College of the Holy Cross in Worcester, offering onsite access for faculty and staff. The Center provides innovative ways to improve the health and wellness outcomes of Holy Cross employees—no matter what insurance they carry.



WORKSITE WELLNESS CENTER



Jennifer Coode –
Fallon Health
Wellness Specialist

Fallon launches a **dedicated online resource**—fallonhealth.org/reform—to communicate evolving health care reform provisions to the communities we serve. Our guide tracks the latest in reform mandates in an easy-to-understand chart that shows how and when they will impact members and the steps Fallon is taking to comply with both federal and Massachusetts legislation.

APRIL

The Healthy Health Plan launches, making Fallon the first plan in Massachusetts to include a wellness incentive as part of its standard benefit package. This program rewards Fallon subscribers for being—and becoming—healthy by providing them with up to \$200 in financial incentives.

The Central Massachusetts Independent Physician Association (CMIPA), one of the area's largest multi-specialty physician groups, becomes available to members of Direct Care, the revolutionary limited network product first introduced by Fallon in 2002. CMIPA has more than 200 community-based physicians with privileges at UMass Memorial Health Care and Saint Vincent Hospital.



THE HEALTHY HEALTH PLAN

Fallon and UMass Memorial Health Care launch a government pilot program to redesign the care model for patients in government programs such as NaviCare, Fallon Senior Plan and Fallon Total Care. The goal is to deliver better patient care and quality outcomes through collaboration and care coordination.

MAY

Our Summit ElderCare Program of All-Inclusive Care for the Elderly (PACE) in Springfield opens for business. With this sixth PACE location in Massachusetts, Fallon continues to lead the way in senior care services. Fallon's Summit ElderCare service area now includes Hampden County, Worcester County and the communities of Easthampton, Granby, Hudson, Marlborough, Southampton and South Hadley.

Fallon extends its reach throughout the state with a 15-week partnership with **FOX25 and its Zip Trip program** to engage viewers and local communities to live healthier lives. During live interviews, Fallon's Health Promotions team educates viewers on important issues that affect the health and well-being of the communities we serve.

Fallon helps **Fallon Senior Plan members to focus on prevention and improved health outcomes** via Care Compass, its care management program.



JULY

With an **employee engagement score of 91%**, the vast majority of Fallon Health employees are fully invested in, and enthusiastic about, living our mission of making our communities healthy. This score surpasses the benchmark score for high-performing organizations in the health care industry.

JUNE

Fallon welcomes the renowned providers of the **Dana-Farber Cancer Institute** to its Select Care commercial network. The nearly 450 physician specialists are committed to a multidisciplinary, compassionate and collaborative model of care for patients and families combating cancer.

AUGUST

Fallon partners with **Weinberg Campus** in New York to jointly develop a Program of All-Inclusive Care for the Elderly (PACE), Managed Long Term Care and a Medicare Advantage Special Needs Plan in Erie and Niagara counties.



Fallon sponsors **The Central Massachusetts Health Care Forum** which brings leading health care experts together with 200 brokers, business owners and industry leaders. The forum addresses various aspects of health care reform, from tax credits and small-business eligibility to employee wellness.



SEPTEMBER

Fallon takes its payment processing to new heights. By **partnering with PaySpan®**, Fallon simplifies processing and improves efficiencies by delivering Electronic Funds Transfers (EFTs) and Electronic Remittance Advice (ERAs).



Fallon works with providers to give **the right care at the right time.**

We support Choosing Wisely®, a national multi-year initiative of the ABIM Foundation, to help us raise awareness about the overuse of certain tests. Sharing this information with physicians and patients helps to promote cost effective and quality care. Sharing this information with physicians and patients helps to promote cost effective and quality care.

Choosing Wisely®

An initiative of the ABIM Foundation

Fallon Total Care launches and becomes one of the Commonwealth's new One Care plans.

Fallon Total Care begins serving the needs of individuals in Massachusetts between the ages of 21 and 64 who are eligible for both Medicare and Medicaid. Fallon Total Care is the first **One Care plan** in the state to enroll a member.



Fallon is ranked once again in the **top 10% of all health plans in America** by the National Committee for Quality Assurance*. For the sixth time in the past seven years, Fallon is ranked the #1 Medicaid plan in America.

In addition, Fallon's Medicare ranking is #15 in America out of 405 plans and #2 in Massachusetts. In the commercial, or "Private" rankings, Fallon is #34 out of the 484 plans ranked.



Fallon introduces **new innovative plan designs**. This redesigned product portfolio makes it easier for small business owners and consumers to understand their choices as well as meets metallic tier requirements put forth by the Affordable Care Act.

**NCQA is a private, non-profit organization dedicated to improving health care quality.*

OCTOBER

Fallon takes a new approach to quoting business with **Quote-Now**, its new online quoting tool built on a Pegasystems® platform. Implemented by Fallon in record time, Quote Now facilitates best-practice quoting, rating and underwriting while streamlining application submission and enrollment.



QuoteNow

Fallon sponsors the **Road Bowl Walking Challenge**, a four-week walking competition among staff members of Worcester colleges. Two-hundred and nine teams from eight participating Worcester universities—926 walkers—join the challenge.



This month, **a record number of visitors**—nearly 1,200—stop by the Fallon Information Center located in Shrewsbury, Mass. to get their health care questions answered. The Fallon Information Center is a community resource center, staffed by health insurance professionals. Open to all in the community, it's the first of its kind in Massachusetts!



Senior Spectacular²⁰¹³

For the ninth year in a row, Fallon presents **Senior Spectacular**, a fun and informational community event, for people with Medicare, their families and caregivers. Senior Spectacular is held in Central and Western Massachusetts.



Fallon Senior Plan® and **NaviCare®** both receive a **4.5 star rating** (out of a possible 5 stars) from the Centers for Medicare & Medicaid Services for its 2014 Medicare Star Ratings program. There are no health plans in the Fallon Senior Plan and NaviCare service area with a rating that's higher than Fallon's.

The ratings provide Medicare beneficiaries with a tool to compare the quality of care and customer service that Medicare health and drug plans offer, helping consumers make better health

NOVEMBER

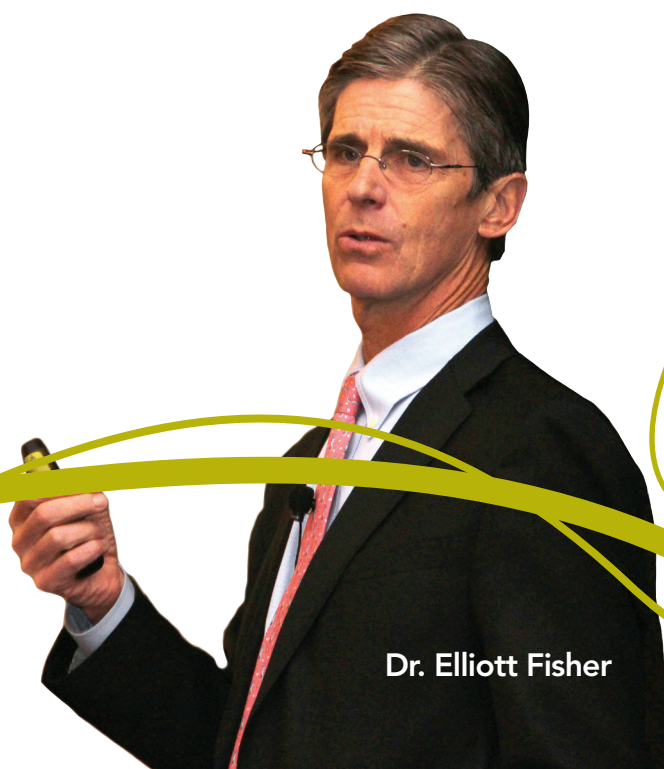
The Worcester Business Journal names Fallon as its **2013 Top Workplace** in the category of Education, Training and Career Development. This achievement reflects Fallon's efforts to engage employees so that they can better meet the needs of the communities we serve and exceed their expectations for service.



DECEMBER

Fallon presents its third annual **Coordinated Care & Coverage Conference (C3)**, bringing together approximately 200 leaders to focus efforts on the innovation of integrated care models and how they work in the real world. The event's keynote speaker is Elliott S. Fisher, M.D. M.P.H.

Professor of Health Policy, Medicine & Community and Family Medicine Director of The Dartmouth Institute for Health Policy and Clinical Practice.

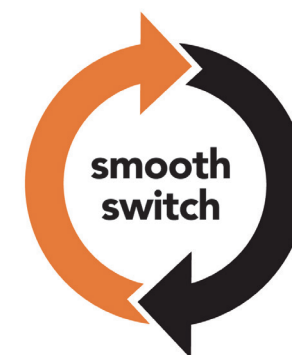


Dr. Elliott Fisher

Fallon's 2013 year-end member satisfaction rate is 98.3% for **NaviCare**, our plan Special Needs Plan for people over the age of 65 who have MassHealth Standard and may or may not have Medicare. The result is based on our ongoing "Annual Satisfaction Survey." 99.7% of members report that the Program has made a positive difference in their overall quality of life and 100% of members surveyed reported the willingness to recommend the program to family or friends.

100%

Fallon introduces **Smooth Switch** for new members to make it easy for them to continue getting the care they need when they switch over to one of our plan options. Fallon's transition of care programs and proactive member outreach efforts, make switching to Fallon a hassle-free experience for customers—and their employers.



plan innovations



Fallon launches a new line of business, **Plan Innovations**, to serve health care companies of all sizes across the nation. Fallon's experience and knowledge in commercial and government health programs, medical management, analytics, policy and strategy, sales and marketing and compliance can help businesses create value, reduce costs, mitigate risk and reach goals.

Fallon holds **313 health fairs** at worksites and throughout the community, a 44% increase over the previous year.

To date, **6,900** visitors get their health care questions answered at the **Fallon Information Center**.



Participants in **Fallon's Wellness Programs**

total 6,134. Programs such as health screenings, workshops, yoga and Quit to Win smoking cessation are among the many offered to employer groups and at community events as well as at the Fallon Information Center.

2014

Fallon Community Health Plan rebrands as **Fallon Health** to reflect evolving business in the rapidly changing health care industry. The new brand affirms Fallon Health's broader offerings of products, services and programs for a diverse population of all ages, income levels and health statuses.

It encompasses the company's commercial insurance products, senior care services and facilities, programs for dual-eligibles, home-support services, and business services such as medical, risk and financial management.

Fallon is selected as one of six managed care organizations (MCOs) to administer **Massachusetts' new Medicaid program, CarePlus**. As the #1 Medicaid health plan in America, Fallon will use CarePlus as a new benefit design to serve Medicaid-eligible adults in the Central and Northern regions of Massachusetts.



HELPING OTHERS GROW, TOO!

- We are a workforce comprised of caring, compassionate people who value making a difference and being part of the change we want to see in the world.
- We offer a comprehensive Community Benefits Program to communities we serve across the Commonwealth as well as numerous supports that go “above and beyond.”
- In 2013, Fallon provides over \$1.5 million in grants, sponsorships and in-kind support throughout Massachusetts.

COMMUNITY BENEFITS PROGRAM

There are many different ways the community can reach out to Fallon for support, including the following opportunities:

Community Benefits Monthly Mini Grants

Community Benefits Annual Grant Program

Hunger Relief

Pay it Forward

Corporate Sponsorship

For more information, visit fallonhealth.org/CommunityBenefits



ABOVE & BEYOND SUPPORT

Boston Strong—Fallon responds quickly to One Fund Boston, uniting to make a \$15,000 donation.

Greater Worcester Region Community Health Improvement Plan (CHIP)— Fallon partners with the Worcester Division of Public Health, UMass Memorial Health Care and Common Pathways to make the region the healthiest in New England by 2020!

Prevention and Wellness Trust Fund—We're the only health plan in the Commonwealth to participate in this important initiative. With our support and partnership, the City of Worcester is awarded over \$2 million dollars to address pediatric asthma, hypertension and senior falls. Together, we'll work to improve the health outcomes of 116,000 Worcester residents while reducing health care costs.

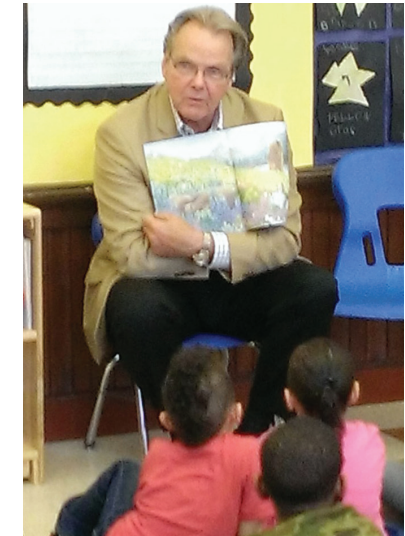
Employee volunteers—Fallon employees give 5,200 hours of time to not-for-profit organizations in the communities we serve.

Homeless support—Partnering with UMass Memorial Health Care, Fallon helps the homeless population of Central Mass. access medical care. Furthermore, our employees join together to donate hundreds of warm socks to the homeless in Worcester and Hampden counties.

Event tickets: Fallon regularly makes it possible for groups such as the Girls Scouts and Boys & Girls Club to attend fun outings which include concerts, the circus and Worcester Sharks hockey games.

Families in need—Fallon responds to the immediate and pressing needs of the community by providing resources such as:

- Car seats to families in Bristol County
- Winter coats to at-risk youth in Central Mass.
- Christmas presents to 80 students in Central Mass.
- Locally-grown produce to Worcester's food insecure*



“ The work that we do matters a great deal. It's all about changing people's lives. I feel blessed to be part of an organization whose hearts and souls are about making a difference. ”

*Patrick Hughes,
President and CEO, Fallon Health*



*through the SNAP Matching program of
The Regional Environmental Council (REC)'s Community Farmers' Markets

Fallon Community Health Plan, Inc., and Subsidiaries

Consolidated Statements of Financial Position

	2013	As of December 31, 2012*	2011
(in thousands)			
Assets			
Cash and investments	\$388,989	\$361,140	\$334,536
Premiums and other receivables	19,537	19,614	26,037
Property and equipment, net	43,344	35,697	33,178
Investment in joint venture	2,300	3,492	2,186
Prepaid expenses	<u>1,470</u>	<u>1,613</u>	<u>2,339</u>
Total assets	<u>\$455,640</u>	<u>\$421,556</u>	<u>\$398,276</u>
 Liabilities and net assets			
Medical claims payable	\$190,549	\$181,339	\$164,118
Unearned premiums	10,460	8,725	16,313
Revolving line of credit	10,000	—	—
Account payable and accrued expenses	<u>33,246</u>	<u>32,601</u>	<u>49,090</u>
Total liabilities	<u>244,254</u>	<u>222,666</u>	<u>229,521</u>
 Net assets	<u>211,386</u>	<u>198,890</u>	<u>168,755</u>
Total liabilities and net assets	<u>\$455,640</u>	<u>\$421,556</u>	<u>\$398,276</u>

* Certain prior year amounts have been reclassified to conform with current year presentation. These reclassifications have no impact on net assets in the prior year.

Fallon Community Health Plan, Inc., and Subsidiaries
Consolidated Statements of Income and Changes in Net Assets

	Year ended December 31,		
	2013	2012	2011
(in thousands)			
Revenues			
Premium and fee revenue	\$1,251,963	\$1,155,313	\$1,140,137
Investment income	18,356	20,596	14,357
Other income	<u>429</u>	<u>1,076</u>	<u>317</u>
Total revenues	1,270,748	1,176,985	1,154,811
Expenses			
Cost of benefits provided	1,109,619	1,024,009	994,022
General and administrative	<u>147,890</u>	<u>137,679</u>	<u>122,328</u>
Total expenses	<u>1,257,509</u>	<u>1,161,688</u>	<u>1,116,350</u>
Net gain (loss)	13,239	15,297	38,461
Unrealized (loss) gain on investments	(743)	8,981	(7,016)
Change in pension plan funded status	<u>—</u>	<u>5,857</u>	<u>2,498</u>
Increase (decrease) in net assets	12,496	30,135	33,943
 Net assets at beginning of year	 <u>198,890</u>	 <u>168,755</u>	 <u>134,812</u>
Net assets at end of year	<u>\$211,386</u>	<u>\$198,890</u>	<u>\$168,755</u>

FALLON HEALTH BOARD OF DIRECTORS

James Buonomo

David R. Grenon

David W. Hillis – Chairman

Patrick Hughes, Fallon President and Chief Executive Officer

Karin Landry

Christian W. McCarthy – Treasurer/Clerk

Frederick M. Misilo, Jr., Esq.

Ann K. Tripp

Lynda Young, M.D. – Vice Chair

Outside Counsel: **Steven Epstein, Esq.**, Epstein, Becker & Green, P.C.

FALLON HEALTH EXECUTIVE TEAM

Patrick Hughes, President and Chief Executive Officer

Sarika Aggarwal, M.D., Executive Vice President and Chief Medical Officer

Richard Burke, President, Senior Care Services and Government Programs, and Chief Compliance Officer

Jesse Caplan, Esq., Chief Legal Counsel, Epstein, Becker & Green, P.C.

Christine Cassidy, Senior Vice President and Chief Communications Officer

Richard Commander, Senior Vice President and Chief Operating Officer

David Przesiek, Senior Vice President, Sales and Marketing

Mary Ritter, Chief Strategy Officer

Linda St. John, Senior Vice President and Chief Human Resources Officer

R. Scott Walker, Executive Vice President and Chief Financial Officer



FALLON HEALTH

Corporate headquarters

10 Chestnut St.
One Chestnut Place
Worcester, MA 01608
1-800-333-2535
fallonhealth.org

Holyoke, MA office
55 Bobala Rd.
Holyoke, MA 01040

Raynham, MA office
756 Orchard St.
Raynham, MA 02767

Fallon Total CareSM

100 N. Parkway
Worcester, MA 01605

Home Staff LLC

(joint ownership with VNA
Care Network & Hospice)
Melinda Montiverdi,
Executive Director
Homestaff.com

Greater Worcester Region

40 Millbrook St.
Worcester, MA 01606
1-800-779-3312

Western Mass. Region

1111 Elm St., Suite 34
West Springfield, MA 01089
1-800-380-0066

Summit ElderCare®

Corporate headquarters
10 Chestnut St.
One Chestnut Place
Worcester, MA 01608
1-800-698-7566

Clinical sites

88 Masonic Home Rd.
Charlton, MA 01604

55 Cinema Blvd.
Leominster, MA 01453

101 Wason Ave.
Springfield, MA 01199

277 E. Mountain St.
Worcester, MA 01606

1369 Grafton St.
Worcester, MA 01604

UltraBenefits, Inc.

(a wholly owned subsidiary of
Fallon)
James Bushey, President
29 E. Mountain St.
Worcester, MA 01606

