



ways we moved forward



Working to make our communities healthy

Over the past 41 years, Fallon Health has moved forward, always evolving to meet the health care needs of people of all ages, health statuses and income levels.

What keeps us going? We're driven by a simple yet powerful mission—making our communities healthy. We take purposeful actions each day to improve the health and well-being of those we serve.

In this annual report, we're highlighting 17 ways we supported this mission in 2017. They define our commitment, mission and business priorities. They also embody a spirit of collaboration with our members, caregivers, medical providers, government agencies, community organizations and other partners.

For Fallon Health, 2017 was a very good year. Our year-end results reflect our strategic decisions and investment in providing high-quality products and services, achieving purposeful growth and improving financial performance over the prior year. We also strengthened our expertise in care coordination, providing our members with better health outcomes while successfully managing costs.

We bring this momentum into 2018. We'll continue to leverage our expertise in the communities we serve and collaborate with partners who have missions that align with ours, always providing high-quality, cost-effective products and services. Striving to make our communities healthy will inspire us every step of the way.



David Hillis, Chairman of the Board (left) and Richard Burke, President and CEO (right)

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Partnering to remake MassHealth

The state created 17 Accountable Care Organizations (ACOs) to bring together physicians, hospitals, insurers and other health care providers to improve care for MassHealth members.

Fallon was selected to join the state and provider groups to form three ACOs:

- Berkshire Fallon Health Collaborative (with provider partners Berkshire Health Systems, Community Health Programs and several Berkshire County community physician groups)
- Fallon 365 Care (with provider partners Reliant Medical Group and Southboro Medical Group)
- Wellforce Care Plan (with provider partners Wellforce and Lowell Community Health Center)

Together, we're providing integrated services to reduce fragmented care, increase value and improve health outcomes for more than 90,000 individuals.

Bridging health care gaps with care coordination

Care coordinators wear many hats at Fallon, but they all have one thing in common: they provide personal care tailored to frail elders and people who have chronic health conditions. Representing 39% of our workforce, care coordinators reduce fragmented care and advocate for members.

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In-home medication review



Pharmacists from our Safe Transitions Program visit Fallon Senior Plan and NaviCare members who are newly discharged from a hospital or from a skilled nursing or rehabilitation facility to evaluate their medication regimens. These efforts are reducing hospital readmissions and improving the safety of medication utilization.

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Improving care quality

Continually prioritizing quality care keeps Fallon among the nation's top health plans for quality, as rated by the National Center for Quality Assurance and the Centers for Medicare & Medicaid Services.



4 Training M.D.s in senior care

To address the increasing population of older adults, Fallon supports a UMass Medical School endeavor to train physicians in principles of care for geriatric patients.

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Summit ElderCare® expansion

Started construction on a new, larger center for our Summit ElderCare program in Webster to replace our smaller Charlton site. As a Program of All-Inclusive Care for the Elderly, Summit ElderCare provides medical care, social supports and health insurance for adults ages 55 and over who qualify for nursing home care but want to live at home.



Supporting caregivers

As the population ages, the number of family caregivers is increasing. Fallon has responded by sharing caregiving expertise on caring for elders. Our caregiving symposium covered the impact caregiving has on communities, workplaces and caregivers. Our new online interactive decision tool directs caregivers to the right Fallon plan for the older adults in their lives. We distributed a free caregiving guidebook and provided practical resources through our new caregiving blog at fallonhealth.org/caregiver-blog.



Supporting community health with grants

Fallon has a longstanding commitment to addressing health care barriers in underserved communities throughout the state. An example of our commitment is the \$100,000 in grants we awarded in 2017 to support 10 community-based organizations devoted to health initiatives for children, youth and seniors.



Expanding into Berkshire County

We brought our senior care services into Berkshire County to enable older adults to access care and live as independently as possible. Along with our Fallon Senior Plan™ Medicare Advantage plan, we're now offering NaviCare® HMO SNP and SCO, the region's first and only coordinated care program available to area seniors eligible for both Medicare and Medicaid.



Helping members manage chronic illness

Having diabetes meant that Fallon member Vanessa Munoz-Chesler had to add physical activity to her life, follow a special diet and take her medications. She needed help to make that happen, and she found it with a health educator in Fallon's Disease Management Program.

"With help from this program, I went from being a couch potato to going to the gym five or six times a week," says Vanessa.



13 Sharing health information with community

We make workplaces and communities healthy by offering dozens of wellness classes and programs, hundreds of health fairs, preventive health screenings and flu clinics throughout the year.

Providing rides for frail elders

Transportation isn't a barrier for our NaviCare members. We provide unlimited rides to and from medical appointments and up to 90 additional round-trip rides annually to the gym, fitness classes and more.

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15 Managing opioids to prevent addiction

To help our members avoid misusing or abusing opioid prescriptions, we launched a program with stricter prescription guidelines to complement our commitment to fighting this public health crisis.

Being a good neighbor and corporate citizen

Fallon strives to address health care barriers for at-risk populations. For example, we donated two cars to Berkshire County senior centers that serve residents who need transportation to medical care. After our donation of three refrigerator units to a community organization, access to food increased by 42% in a low-income Worcester neighborhood. Fallon employees volunteered for Working for Worcester and the United Way Day of Caring. They also helped Worcester high school seniors with their college applications. After hurricanes in Texas, Florida and Puerto Rico, employees responded by donating supplies. Fallon also continued to bring the community together for free family-friendly events, including Worcester's annual Independence Day Celebration.



Engaging employees

Data from a national research firm shows that Fallon's workforce is highly engaged—at rates exceeding industry benchmarks of other high-performing companies. Employees believe in what they do and why they do it. Also in 2017, *Telegram & Gazette* readers named Fallon the #1 workplace in Central Massachusetts in five out of 10 categories including: Best Overall Company to Work For, Best Leadership and Best Community Presence.

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Fallon Community Health Plan, Inc. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2017 and 2016

<i>(in thousands)</i>	2017	2016
Assets		
Cash and cash equivalents	\$ 94,189	\$ 44,943
Investments in debt and equity securities	282,027	263,796
Investment in joint venture	-	1,438
Premiums receivable (net of allowance of \$4,876 and \$4,349 in 2017 and 2016, respectively)	13,442	39,865
Receivables from providers	11,547	11,299
Other receivables	3,210	3,134
Land, building and equipment, net	19,922	25,623
Goodwill	3,384	3,384
Prepaid expenses	4,468	2,835
Total assets	<u>\$ 432,189</u>	<u>\$ 396,317</u>
Liabilities		
Medical claims payable	\$ 168,373	\$ 150,754
Shared risk payable	9,636	8,999
Aggregate health policy reserves	12,600	13,650
Unpaid claims adjustment expense	1,898	2,218
Unearned premiums	16,934	11,472
Accounts payable and accrued expenses	30,147	32,000
Total liabilities	<u>239,588</u>	<u>219,093</u>
Net Assets		
Beginning balance	177,224	191,593
Change in net asset	15,770	(12,715)
Change in noncontrolling interest	(393)	(1,654)
Total net assets	<u>192,601</u>	<u>177,224</u>
Total liabilities and net assets	<u>\$ 432,189</u>	<u>\$ 396,317</u>

Fallon Community Health Plan, Inc. and Subsidiaries
Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2017 and 2016

<i>(in thousands)</i>	2017	2016
Revenue		
Premiums, net	\$ 1,302,134	\$ 1,197,916
Administrative fees	17,693	16,687
Investment income, net	12,126	5,959
Other income	1,271	840
Total revenues	<u>1,333,224</u>	<u>1,221,402</u>
Expenses		
Cost of benefits provided, net	1,186,176	1,088,409
Salaries and benefits	86,681	85,785
General and administrative	54,534	68,959
Total expenses	<u>1,327,391</u>	<u>1,243,153</u>
Net income (loss) before noncontrolling interest	5,833	(21,751)
Noncontrolling interest	2,068	1,655
Net income (loss) after noncontrolling interest	<u>7,901</u>	<u>(20,096)</u>
Change in unrealized gain (loss) on investments	7,869	7,381
Increase (decrease) in net assets	<u>15,770</u>	<u>(12,715)</u>
Net assets		
Beginning of year, parent	177,224	191,593
Beginning of year, joint venture	1,124	(530)
Ending noncontrolling interest	(1,517)	(1,124)
Total net assets at end of year	<u>\$ 192,601</u>	<u>\$ 177,224</u>