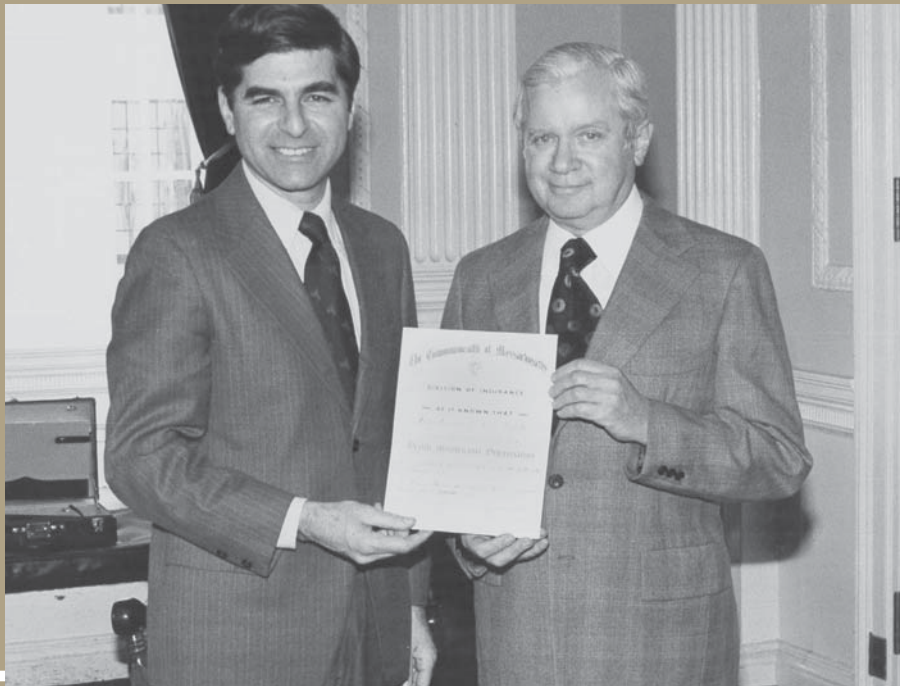


# Moving forward since 1977



1977

1978

*In January 1978, Governor Michael Dukakis presented Dr. John Meyers, one of Fallon's founders, with the organization's license to operate.*



## A foundation of experience and innovation

Fallon's early leaders aspired to bring all components of the health care system together to provide high-quality care at an affordable cost. The realization of their vision took the shape of Fallon Community Health Plan, a provider-payer partnership launched in 1977 in conjunction with Fallon Clinic (now Reliant Medical Group). The model became a near-instant success. Just two years later, Fallon won a state Medicaid contract. In 1980, we launched a Medicare demonstration project and signed the first Medicare risk contract in the country—that's when Fallon Senior Plan™ was born.

Those early innovations launched a corporate culture that has bred four decades of creative ideas for improving health, raising the quality of care and coverage, and reducing costs. Our unique approach stems in part from our experience working so closely with providers, which we continued after separating from Fallon Clinic in 2004. We remain the only health plan in Massachusetts that is both an insurer and a provider of care. Fallon's Summit ElderCare® program—a Program of All-Inclusive Care for the Elderly (PACE)—provides medical care and social support to adults (ages 55 and older) who qualify for nursing home care but want to live at home.

Our flexibility and resilience as an organization enabled us to lead the way with measures like limited networks for commercial plans, \$0 plans for Medicare Advantage, and no copayments for routine physicals. We introduced them years ahead of our competitors, before there was a government requirement to do so.

Longtime Fallon employee Kevin McGovern led the first Fallon 5 Road Race in 1984. Called Run for Health in the early years, the race was an annual tradition for the next two decades.



Senator Edward M. Kennedy  
Fallon's Executive Director  
offices on Central Street  
to learn about the org  
developing Medical C

## Accomplishments in 2016

Our deep empathy for members and strong drive to develop effective ways to cover their care is as evident now as in years past. Fallon's accomplishments in 2016 included:

- Expanding Summit ElderCare to Lowell and becoming the largest PACE in New England and the fifth largest in the nation
- Establishing a PACE program at Fallon Health Weinberg in western New York
- Achieving high performance ratings from the National Committee for Quality Assurance Health Insurance Plan Ratings, 2016–2017—and ranking in the top 10% of Medicaid and commercial plans in America
- Receiving a 4.5 star rating (out of a possible 5 stars) from the Centers for Medicare and Medicaid Services (CMS) for NaviCare® HMO SNP, a plan for people eligible for both Medicare and Medicaid, and for Fallon Senior Plan
- Attaining a score of 100% from CMS for our NaviCare program's model of care
- Maintaining our long-time commitment to community by distributing \$1.6 million in grants, hunger relief, sponsorships, in-kind donations and volunteer hours
- Receiving the Corporate Citizen of the Year award from the *Worcester Business Journal*



Kennedy, pictured with Christy Bell, Director, visited Fallon's executive offices in Worcester on June 2, 1993, to recognize the organization's leading role in the community (now St. Vincent Hospital).



Executives posed around one of Fallon's early logos in 1997.



## 2017 and beyond—A letter from leadership

Since our founding 40 years ago, we have been finding better ways to serve our communities. Making our communities healthy will remain our goal as we move forward together.

As the health care market changes, we are committed to offering innovative health care solutions for our members and business partners. For example, we have been investing in Medicare and Medicaid programs well ahead of the industry, and are prepared for increased demand for senior health care services. In 2016, 15.4% of the Massachusetts population was 65 or older; it could reach 21% by 2030. Our strong reputation for quality and service in the Medicare and Medicaid markets positions us well to respond to this fast-growing population's needs.

We have also developed a full complement of commercial plans, including HMOs, PPOs and ASOs, as well as specialized plans for members with chronic conditions and limited networks for those who qualify for extra help with insurance costs. Our offerings don't stop there. Through our subsidiary, UltraBenefits, Inc., a third-party administrator, employers control benefit costs and use self-funded alternatives to manage their health care spending and that of their employees.

Throughout our history, we have invested in mutually beneficial provider partnerships. That will continue into the future, as we build provider networks, relationships and payment models to best serve our members.

These strategic decisions are enabling us to adapt to change, embrace opportunities to improve our products and services—and make a positive impact within the communities we serve.

—Richard P. Burke, President and CEO, and David W. Hillis, Chairman, Board of Directors



A Fallon billboard in downtown Worcester—one of many throughout the state.



Summit ElderCare expanded to Lowell, and Fallon's PACE program became the fifth-largest in the nation. Pictured: Naomi Prendergast, CEO of D'Youville Life & Wellness Community; Richard Burke, President and CEO of Fallon Health; Kevin Murphy, Lowell City Manager; and Leanna Moran, Site Director at Summit ElderCare Lowell.

**Fallon Community Health Plan, Inc. and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**Years Ended December 31, 2016 and 2015**

<i>(in thousands)</i>	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 44,943	\$ 39,903
Investments in debt and equity securities	263,796	301,904
Investment in joint venture	1,438	1,729
Premiums receivables (net of allowance of \$4,349 and \$2,599 in 2016 and 2015, respectively)	39,865	32,536
Receivables from providers	11,299	12,071
Other receivables	3,134	3,483
Land, building and equipment, net	25,623	35,399
Goodwill	3,384	3,384
Prepaid expenses	2,835	1,976
Total assets	<u>\$ 396,317</u>	<u>\$ 432,385</u>
<b>Liabilities</b>		
Medical claims payable	\$ 150,754	\$ 157,303
Shared risk payable	8,999	11,359
Aggregate health policy reserves	13,650	12,150
Unpaid claims adjustment expense	2,218	2,167
Unearned premiums	11,472	8,946
Revolving line of credit	-	6,254
Accounts payable and accrued expenses	32,000	42,613
Total liabilities	<u>219,093</u>	<u>240,792</u>
<b>Net assets</b>		
Beginning balance	191,593	216,152
Change in net asset	(12,715)	(24,037)
Change in noncontrolling interest	(1,654)	(522)
Total net assets	<u>177,224</u>	<u>191,593</u>
Total liabilities and net assets	<u>\$ 396,317</u>	<u>\$ 432,385</u>

**Fallon Community Health Plan, Inc. and Subsidiaries**  
**Consolidated Statements of Operations and Changes in Net Assets**  
**Years Ended December 31, 2016 and 2015**

<i>(in thousands)</i>	<b>2016</b>	<b>2015</b>
<b>Revenue</b>		
Premiums, net	\$ 1,197,916	\$ 1,226,168
Administrative fees	16,687	20,428
Investment income, net	5,959	9,939
Other income	840	255
Total revenues	<u>1,221,402</u>	<u>1,256,790</u>
<b>Expenses</b>		
Cost of benefits provided, net	1,088,409	1,102,089
Salaries and Benefits	85,785	89,915
General and administrative	68,959	72,070
Total expenses	<u>1,243,153</u>	<u>1,264,074</u>
Net income/(loss) before noncontrolling Interest	(21,751)	(7,284)
Noncontrolling Interest	1,655	522
Net income/(loss) after noncontrolling Interest	(20,096)	(6,762)
Change in unrealized (loss) on investments	7,381	(17,275)
Increase (decrease) in net assets	<u>(12,715)</u>	<u>(24,037)</u>
<b>Net assets</b>		
Beginning of year, Parent	191,593	216,152
Beginning of year, Joint Venture	(530)	(1,052)
Ending noncontrolling interest	(1,124)	530
Total net assets at end of year	<u>\$ 177,224</u>	<u>\$ 191,593</u>

# Executive team

Richard P. Burke, *President and CEO*

Christine Cassidy, *Senior Vice President and Chief Communications Officer*

Thomas H. Ebert, M.D., *Executive Vice President and Chief Medical Officer*

James Gentile, *Senior Vice President and Chief Compliance Officer*

Kevin Grozio, *Interim Chief Financial Officer and*

*Vice President of Underwriting and Actuarial Services*

Eric Hall, *Senior Vice President, Provider Management, Strategy and Engagement*

Jill Lebow, *Senior Vice President and Chief Human Resources Officer*

Mark Mosby, *Chief Legal Counsel (Epstein Becker & Green, P.C.)*

David Przesiek, *Senior Vice President and Chief Sales Officer*

Emily West, *Senior Vice President and Chief Operating Officer*



*(Back row, left to right)*

James Buonomo

Lynda Young, M.D., *Vice Chair*

B. John Dill

Joseph N. Stolberg, CPA

Karin J. Landry

W. Thomas Spencer Jr., CLU, ChFC

*(Front row, left to right)*

Ann K. Tripp, *Treasurer*

Frederick M. Misilo Jr., Esq., *Clerk*

Richard P. Burke, *Fallon Health President  
and Chief Executive Officer*

David W. Hillis, *Chairman*



**Corporate headquarters**

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[fallonhealth.org](http://fallonhealth.org)