

EDDIE BAZA CALVO
Governor



RAY TENORIO
Lieutenant Governor

2012 APR -9 PM 4:14

Office of the Governor of Guam

April 5, 2012

Honorable Judith T. Won Pat, Ed.D.
Speaker
I Mina'trentai Unu Na Liheslaturan Guåhan
155 Hesler Street
Hagåtña, Guam 96910

31-12-1456 emw
Office of the Speaker
Judith T. Won Pat, Ed. D.
4/9/12
Date _____
Time 11:58 AM
Received by _____

Dear Madame Speaker:

Transmitted herewith is Substitute Bill No. 435-31 (COR) "AN ACT TO AMEND § 4302(c) OF ARTICLE 3, CHAPTER 4, TITLE 4 OF THE GUAM CODE ANNOTATED, RELATIVE TO NEGOTIATING AND PROCURING HEALTH INSURANCE SERVICES FOR THE GOVERNMENT OF GUAM", which lapsed into law without the signature of *I Maga'lahaen Guåhan* on March 30, 2012. The legislation is now designated as Public Law 31-197.

Although I concur with the underlying precept of ensuring that the Government of Guam receives the best price for group health insurance, Bill 435 does nothing to accomplish that purpose. It only succeeds to needlessly increase the workload on the negotiating team without any corresponding financial benefit to the government.

Under existing law the negotiating team is tasked with negotiating the best proposal. Bill 435, however, now requires the negotiating team to negotiate six proposals – two offers (exclusive and non-exclusive) from three Health Insurance Providers. In a recent radio interview, the bill's primary author said that the intent of allowing multiple negotiations was to enable the negotiating team to pit one offer against another, to negotiate down the price. By law, this cannot happen.

Guam law expressly prohibits pre-award disclosure of information contained in any proposal. Thus, despite public statements by certain legislators, the negotiating team does not have the authority to disclose to any Health Insurance Provider the ongoing discussions with its competitors. Instead, the negotiating team will by legal necessity have to negotiate six proposals with three different parties without any regard to the status of the other negotiations.

Based upon prior experience, we already know that multiple negotiations does nothing more than cause needless delay in an already lengthy negotiation process. In at least one recent instance, the delay was in excess of a year. Clearly, the promise of increased competition and a reduction in price through Bill 435 is nothing more than illusory; it is a placebo without any real benefit.

Senseramente,

EDDIE BAZA CALVO

Attachment: copy of Bill

1456

I MINA'TRENTAI UNU NA LIHESLATURAN GUÅHAN
2012 (SECOND) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUÅHAN

This is to certify that substitute Bill No. 435-31 (COR), "AN ACT TO AMEND § 4302(c) OF ARTICLE 3, CHAPTER 4, TITLE 4 OF THE GUAM CODE ANNOTATED, RELATIVE TO NEGOTIATING AND PROCURING HEALTH INSURANCE SERVICES FOR THE GOVERNMENT OF GUAM", was on the 19th day of March, 2012, duly and regularly passed.



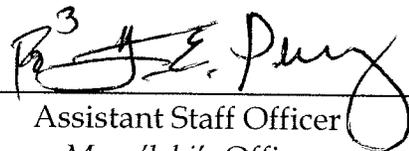
Judith T. Won Pat, Ed.D.
Speaker

Attested:



Rory J. Respicio
Acting Legislative Secretary

This Act was received by I Maga'lahaen Guåhan this 19 day of March, 2012, at
7:40 o'clock P.M.



Assistant Staff Officer
Maga'lahaen's Office

APPROVED:

EDWARD J.B. CALVO
I Maga'lahaen Guåhan

Date: MAR 28 2012

Public Law No. 31-197

I MINA'TRENTAI UNU NA LIHESLATURAN GUÅHAN
2012 (SECOND) Regular Session

Bill No. 435-31 (COR)

As substituted by Committee on Youth, Cultural Affairs,
Procurement, General Government Operations
and Public Broadcasting and amended on the Floor.

Introduced by:

v. c. pangelinan
Judith P. Guthertz, DPA
B. J.F. Cruz
T. C. Ada
V. Anthony Ada
F. F. Blas, Jr.
Chris M. Dueñas
Sam Mabini, Ph.D.
T. R. Muña Barnes
Adolpho B. Palacios, Sr.
R. J. Respicio
Dennis G. Rodriguez, Jr.
M. Silva Taijeron
Aline A. Yamashita, Ph.D.
Judith T. Won Pat, Ed.D

**AN ACT TO *AMEND* § 4302(c) OF ARTICLE 3,
CHAPTER 4, TITLE 4 OF THE GUAM CODE
ANNOTATED, RELATIVE TO NEGOTIATING AND
PROCURING HEALTH INSURANCE SERVICES FOR
THE GOVERNMENT OF GUAM.**

BE IT ENACTED BY THE PEOPLE OF GUAM:

Section 1. §4302(c), Article 3, Chapter 4, Title 4 of the Guam Code Annotated is hereby *amended* to read as follows:

“(c) The Government of Guam Health Insurance Negotiating Team shall consist of the Director of Administration, who *shall* be Chairperson; the Administrator of the Department of Integrated Services for Individuals with Disabilities (DISID), or his or her designee; the Director of the Bureau of Budget and Management Research, or his or her designee; an employee

1 representative from the Judicial Branch to be appointed by the Chief Justice
2 of the Supreme Court of Guam; an employee representative of the
3 Legislative Branch to be appointed by the Speaker of *I Liheslaturan*
4 *Guåhan*; the Superintendent of the Department of Education, or his or her
5 designee; the Director of the Government of Guam Retirement Fund, or his
6 or her designee; a retiree who is a member of the Government of Guam
7 Retirement Fund to be appointed by the Board of Trustees of the
8 Government of Guam Retirement Fund; one (1) member of the general
9 public, appointed by *I Maga'låhen Guåhan*, who is not an employee of the
10 government of Guam, not an employee of a health insurance company,
11 hospital, or medical provider, or not an appointee by the Governor to any
12 government agency, board or commission, and who shall affirm by affidavit
13 that he or she agrees to comply with all provisions in Chapter 15 of Title 4
14 of the Guam Code Annotated, also known as the Standard of Conduct for
15 Elected Officers, Appointed Officers, and Public Employees of the
16 government of Guam; the Chairperson of the Committee on Health or the
17 successor committee of *I Liheslaturan Guåhan*, or his or her designee, who
18 shall sit as an ex-officio non-voting member; and the Chairperson of the
19 Committee on Appropriations, or the successor committee of *I Liheslaturan*
20 *Guåhan*, or his or her designee, who shall sit as an ex-officio non-voting
21 member. The Negotiating Team *shall* examine the financial information of
22 the prepaid health insurance companies, health care providers or other legal
23 entities for the purpose of developing the most economical and beneficial
24 health plan for the Government of Guam employees and retirees. The
25 Negotiating Team may obtain technical support from other financial and
26 health-related agencies. The Negotiating Team *shall* develop its rules of

1 procedure in accordance with the Administrative Adjudication Law. The
2 Negotiating Team shall develop minimum qualification for proposals to be
3 submitted for health insurance coverage. The Negotiating Team shall also
4 develop a ranking system to rank the proposals. The Negotiating Team with
5 the approval of *I Maga'låhi* is authorized to contract an actuary competent
6 to develop proposed health insurance rates or other recognized expert to
7 train and/or advise the Negotiating Team. Notwithstanding any other
8 provision of law, each Fiscal Year, the Negotiating Team *shall* solicit both
9 exclusive and non-exclusive proposals from each Health Insurance Provider
10 and enter into negotiations with the top three (3) ranked Health Insurance
11 Providers submitting qualified proposals for health insurance coverage for
12 qualified active employees and qualified retirees of the government of
13 Guam.

14 (1) The Director of the Department of Administration shall
15 plan, and implement prior to discussions for the 2011-2012 Fiscal
16 Year, an expanded competitive Request for Proposal process. The
17 Director shall announce in publications of general circulation in
18 Guam, in top publications nationally and in leading publications
19 internationally, a Request for Proposal from Health Care Insurance
20 Providers for health insurance coverage for qualified active
21 employees and qualified retirees of the government of Guam.

22 (A) Health Care Insurance Providers that respond and
23 express interest in providing coverage to qualified active
24 employees and retirees shall, if selected, maintain a bona-fide
25 office and operations base in Guam and possess a business
26 privilege license to do business in Guam.

1 (2) The negotiating team upon selection and review of the
2 best available proposals by participating healthcare
3 respondents/providers which reflect the most economical and
4 beneficial healthcare insurance proposal plan for Government of
5 Guam employees and retirees, shall forward the accepted proposals to
6 *I Maga'lahañ Guåhan* for consideration, and to *I Liheslaturan*
7 *Guåhan* for final approval *no later than* July 31, and *prior* to the
8 annual Legislative Sessions wherein the upcoming Fiscal Year
9 Budget for the Government of Guam is before *I Liheslaturan Guåhan*
10 for consideration;

11 (3) Within one hundred eighty (180) days of this Act, the
12 Director of the Department of Administration shall issue a Request
13 For Proposal from qualified individuals or firms to conduct a
14 feasibility study for a non-profit public healthcare care insurance
15 option for Guam.

16 The RFP shall call for a plan that provides for a level playing
17 field with current and future private insurers, and the non-profit
18 public healthcare care insurance option which pays for care from
19 individual premiums and copayments not of the General Fund of the
20 Government of Guam.”

21 **Section 2. Severability.** *If* any provisions of this Act or the application
22 thereof to any person or circumstance is held invalid, such invalidity *shall not*
23 affect any other provision or application of this Act which can be given effect
24 without the invalid provision or application, and to this end the provisions of this
25 Act are severable.

6
w/o engrossment

I MINA' TRENTAI UNU NA LIHESLATURAN GUAHAN

2011 (FIRST) Regular Session

Date: 03/19/12

VOTING SHEET

Bill No. 435-31 (COR)

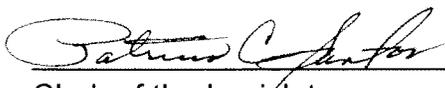
Resolution No. _____

Question: _____

<u>NAME</u>	<u>YEAS</u>	<u>NAYS</u>	<u>NOT VOTING/ ABSTAINED</u>	<u>OUT DURING ROLL CALL</u>	<u>ABSENT</u>
ADA, Thomas C.	✓				
ADA, V. Anthony		✓			
BLAS, Frank F., Jr.		✓			
CRUZ, Benjamin J. F.	✓				
DUENAS, Christopher M.	✓				
GUTHERTZ, Judith Paulette	✓				
MABINI, Sam	✓				
MUNA-BARNES, Tina Rose					EA
PALACIOS, Adolpho Borja, Sr.	✓				
PANGELINAN, vicente (ben) cabrera	✓				
RESPICIO, Rory J.	✓				
RODRIGUEZ, Dennis G., Jr.	✓				
SILVA TAIJERON, Mana	✓				
WON PAT, Judith T.	✓				
YAMASHITA, Aline A.	✓				

TOTAL	<u>12</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>1</u>
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CERTIFIED TRUE AND CORRECT:


 Clerk of the Legislature

* 3 Passes = No vote
 EA = Excused Absence



March 16, 2012

The Honorable Judith T. Won Pat
Speaker
I Mina' Trentai Unu Na Liheslatuaran Guahan
31st Guam Legislature
155 Hesler Place
Hagatna, Guam 96910

VIA: The Honorable Rory J Respicio
Chairperson, Committee on Rules

RE: Committee Report on Bill No. 435-31 (COR), as Substituted

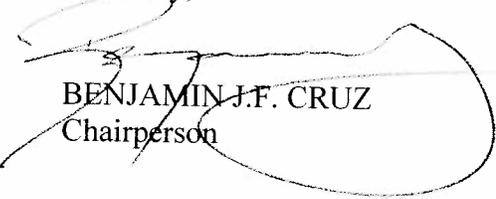
Dear Speaker Won Pat:

Transmitted herewith is the Report of Committee on Youth, Cultural Affairs, Procurement General Government Operations and Public Broadcasting on **Bill No. 435-31 (COR)**, - AN ACT TO AMEND SECTION 4302(c), NOT INCLUDING SUBSECTIONS (c)(1), (c)(2) AND (c)(3) OF ARTICLE 3, CHAPTER 4, TITLE 4 OF THE GUAM CODE ANNOTATED, RELATIVE TO NEGOTIATING AND PROCURING HEALTH INSURANCE SERVICES FOR THE GOVERNMENT OF GUAM -Introduced Senator Vicente Pangelinan and referred to the Committee on Youth, Cultural Affairs, Procurement General Government Operations and Public Broadcasting.

Committee votes are as follows:

<u>3</u>	TO DO PASS
<u>2</u>	TO NOT PASS
<u>1</u>	TO REPORT OUT ONLY
<u>0</u>	TO ABSTAIN
<u>0</u>	TO PLACE IN INACTIVE FILE

Sincerely,


BENJAMIN J.F. CRUZ
Chairperson



COMMITTEE REPORT

ON

Bill No. 435-31 (COR), as Substituted

Bill No. 435-31 (COR), - v.c. pangelinan / J.P. Guthertz, DPA / B.J.F. Cruz- AN ACT TO *AMEND* SECTION 4302(c), *NOT INCLUDING* SUBSECTIONS (c)(1), (c)(2) AND (c)(3) OF ARTICLE 3, CHAPTER 4, TITLE 4 OF THE GUAM CODE ANNOTATED, RELATIVE TO NEGOTIATING AND PROCURING HEALTH INSURANCE SERVICES FOR THE GOVERNMENT OF GUAM.



March 16, 2012

MEMORANDUM

TO: All Members
Committee on Youth, Cultural Affairs, Procurement, General
Government Operations and Public Broadcasting

FROM: Vice Speaker Benjamin J.F. Cruz

SUBJECT: Committee Report on Bill No. 435-31(COR), as Substituted

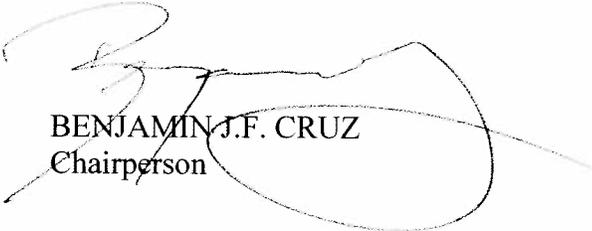
Transmitted herewith for your consideration is the Committee Report on **Bill No. 435-31 (COR), - AN ACT TO AMEND SECTION 4302(c), NOT INCLUDING SUBSECTIONS (c)(1), (c)(2) AND (c)(3) OF ARTICLE 3, CHAPTER 4, TITLE 4 OF THE GUAM CODE ANNOTATED, RELATIVE TO NEGOTIATING AND PROCURING HEALTH INSURANCE SERVICES FOR THE GOVERNMENT OF GUAM; Sponsored by Vicente C. Pangelinan.**

This report includes the following:

- Committee Vote Sheet
- Committee Report Digest
- Bill No. 435-31(COR), as Substituted
- Bill No. 435-31(COR)
- Public Hearing Sign-in Sheet
- COR Referral of Bill No. 435-31(COR)
- Fiscal Note Requirement
- Notices of Public Hearing
- Public Hearing Agenda

Please take the appropriate action on the attached voting sheet. Your attention to this matter is greatly appreciated. Should you have any questions or concerns, please do not hesitate to contact me.

Very truly yours,


BENJAMIN J.F. CRUZ
Chairperson



COMMITTEE VOTING SHEET

Bill No. 435-31 (COR) - v.c. pangelinan / J.P. Guthertz, DPA / B.J.F. Cruz- "An act to amend Section 4302(c), Article 3, Chapter 4, Title 4 of the Guam Code Annotated, relative to negotiating and procuring health insurance services for the Government of Guam."

COMMITTEE MEMBERS	SIGNATURE	TO DO PASS	TO NOT PASS	TO REPORT OUT ONLY	TO ABSTAIN	TO PLACE IN INACTIVE FILE
CRUZ, BENJAMIN J.F. Chairperson		Yes 3/16/12				
MUÑA BARNES, TINA ROSE Vice-Chairperson						
WON PAT, JUDITH T. Speaker and Ex-Officio Member		Yes 3/16/12				
ADA, THOMAS C. Member				Yes		
GUTHERTZ, JUDITH P. Member		Yes				
RESPICIO, RORY J. Member				Yes 3-16-12		
RODRIGUEZ, DENNIS G. JR. Member				Yes 3/16/12		
ADA, V. ANTHONY Member				Yes 3/16		
DUENAS, CHRISTOPHER Member				Yes 3/16		
MABINI, SAM Member				Yes 3/16/12		
YAMASHITA, ALINE Member				Yes 3/16/12		



Committee Report Digest

I. OVERVIEW

The Committee on Youth, Cultural Affairs, Procurement, General Government Operations and Public Broadcasting convened a public hearing on Tuesday, March 13th 2012 at 6:00 p.m. in the Public Hearing Room of *I Liheslatura*. Among the items on the agenda was the consideration was Bill No. 435-31 (COR) - v.c. pangelinan / J.P. Guthertz, DPA / B.J.F. Cruz- "An act to *amend* Section 4302(c), Article 3, Chapter 4, Title 4 of the Guam Code Annotated, relative to negotiating and procuring health insurance services for the Government of Guam."

Bill 435-31 would mandate would require the GovGuam Insurance Negotiating Committee to negotiate a program for the GovGuam health insurance contract with *all* qualified bidders. Further, Bill No. 435 would mandate that a taxpayer not employed by the Government of Guam sit on and participate in the negotiations for the Governments heath care insurance contract.

Public Notice Requirements

All legal requirements for public notices were met, with requests for publication sent to all media and all senators on March 6th 2012 and March 11th, 2012 via email. Copies of the hearing notices are appended to the report.

Senators Present

Vice Speaker Benjamin J.F. Cruz, Chairperson
Senator V. Anthony Ada, Committee Member
Senator Frank Blas Jr.
Senator Rory Respicio, Committee Member
Senator Dennis Rodriguez Jr., Committee Member
Senator Thomas Ada, Committee Member

The public hearing was called to order at 6:00 p.m.

II. SUMMARY OF TESTIMONY AND DISCUSSION

Vice Speaker Benjamin J.F Cruz called the public hearing to order at 6:00 p.m. and announced the evening's agenda and public hearing notices. The following discussion took place:

"Chairman BJ Cruz. The Committee on Youth, Cultural Affairs, Procurement, and General Government Operations & Public Broadcasting is now called to order. I want to acknowledge



the presence of my colleagues this evening: Senator Ben Pangelinan, Senator Tom Ada, Senator Dennis Rodriguez, Senator Tony Ada and Senator Frank Blas. I am hoping that we'll have others.

Only one item on today's agenda and that is Bill 435. The notices for this public hearing were disseminated by email to the media on March 6 and March 11 in compliance with the 5-day and the 48-hour notice. We'd like to acknowledge that we have several people to testify. We will begin the hearing, but I'd like to ask the sponsor of Bill 435 to give a short summary of what the intent of this bill is and we'll proceed.

Senator Vicente Pangelinan. *Thank you very much, Mr. Chair. Bill 435 is very simple. Bill 435 if implemented would require the GovGuam Insurance Negotiating Committee to negotiate a program for the GovGuam health insurance contract with every qualified bidder. That is the only requirement. It does not require that the government of Guam offer more than one carrier. It just requires that every company that presents a proposal and responds to a request for proposal that if their proposal is rated a qualified proposal that they be given an opportunity to negotiate with the GovGuam Health Insurance Committee. The Health Insurance Committee would decide on how to award it. They can award it to a single carrier. By statute they can still do multiple carriers. We've gone away from multiple carriers over the last several years.*

That is the crux of this bill; is to open up the negotiating process to every qualified proposal, offerer that submits to DOA. There is one section that the Guam Legislature added through statute; a public representative to the GovGuam Health Insurance Negotiating Committee and very clearly the record reflected during the discussions on the floor was that the public representative not be a GovGuam employee and appointed by the Governor. But the Governor decided to appoint another GovGuam employee to the Negotiating Committee and based on the reflection on record, we are introducing a bill that clarifies the intent of the legislation that the other appointee, other member should not be a GovGuam employee and should be a member of the general public to the GovGuam Negotiating Committee. The theory behind that and the explanation on the floor that was given was that these are public dollars and its cost to the government, which is borne by the taxes paid by our citizenry. They have an interest in ensuring that we get the best price. We are looking to have their interest represented in the GovGuam Health Insurance Negotiating Committee. So, we are clarifying language that the additional appointee by the Governor should really be a member of the general public and not be a GovGuam employee; the other appointees to the Negotiating Committee already represent them well, and quite capably.

That is really the two elements of the bill; pretty simple in their nature. Thank you and Si Yu'os Ma'ase.

Chairman BJ Cruz. *Thank you very much. I want to also acknowledge the presence of our Majority Leader, Senator Rory Respicio.*

We have several people who have asked to testify; I see Mr. Ben Meno.



I understand that Ms. Manglona, the Director of the Department of Administration has submitted written testimony, but will not be read into the record. [Submitted written testimony only].

Mr. Frank Campillo will not come up to testify. [Although present will only submit written testimony]

Ms. Antoinette Santos from DOE submitted written testimony. [Although present will only submit written testimony]

Mr. Francis Santos? The first one to sign up is Mr. Meno.

Mr. Ben Meno. *Si Yu'os Ma'ase. I will be bi-lingual.*

I am here Senators, Mr. Chair, and Honorable Senators for many good reasons. I am a member of the Community Health Center Board for fifteen years. I am here purposely to ensure that not only the community out there but the members who are in the insurance company who subscribe, members. After reviewing your proposed bill, Honorable Senator, Mr. Pangelinan, Mr. Vice Chair and of course, our chair for Health [referring to Senator Rodriguez], I totally oppose this.

The there are reasons why. Let me give you a little bit of a history. Six months ago I was in Maryland, DC, Philadelphia, Virginia for a health conference. We talked about so many health [issues] there and also we wanted to get a share for Guam. It is very, very difficult. They are fighting and I guess you know that. They fight over everything. We are under Region IX. Here we are, the people of Guam, the government of Guam employees, the retirees - which I am - enroll in Select Care. All those past companies that are here - [in Chamorro] all those here, let me name them. I have their names, like your brochures. I have copies from the beginning to the end.

Every one of them, I kept their brochures. I have every one of your brochures. The day you ran until the present. I keep it in a secret box because I want to refresh myself on your promise. But, please hear me loud and clear. I totally oppose this, Mr. Chair and Vice Speaker for the reason that HML in 1993, MultiCover in 1998, GMHP, PacifiCare, Stay Well - during this time, I know you know that each individual applies to these different groups. Remember, if you were member of Stay Well, they will fly you off island, but then they stopped. Remember GMHP; a good organization locally owned, but it failed.

Mr. Chair, I am deeply concerned because I just got back from the Philippines from January to February for my health. I was there for one month at the Global City. I wish that I could carry that hospital and bring it over here. But, we cannot. My experience with the health insurance that I am a member of - and nobody pays me to come here, nobody asked me to come here, I come on my own and when I speak to you, it's from the heart and the mind.

[In Chamorro] I come here every time these rules are changed. Mr. Chair, I understand your statements. You are right that we should have different kinds of offers for quality. Quality is different from money and negotiating with another.



Calvo Select Care is good for me. He paid all my debts and everything. Why change? Mr. Chair, the people of Guam, any individual in the business community, they will offer this. Who came up? Calvo.

What happened to the other companies? But, they were chosen by the core group – I understand there is a core group, which I used to be a member. They were chosen and by that group, Calvo.

I don't know what company, but they suggested the government of Guam should stay with one. I know you are going to digest what I am saying. I hope you will understand where I am coming from. I like Calvo's Insurance. What is wrong with Calvo's Insurance? You have to have an insurer. I have to have an insurance company to cover my needs. I have a pacemaker and I constantly need my insurance to take care of me. The point I am trying to get across is comprehension.

What is it that you are looking for? What is it that you really want? Do you have a company? Anyone of you? [Pointing to Senators on panel] They have offered this to the to government of Guam and everybody is invited to come. Sure, some of them write their name down [in Chamorro] but they weren't selected.

You are the lawmakers and you are the leaders of this island. I do oppose this. [In Chamorro] I am doing fine where I am at.

And when I brought this to the mananko at our meeting in Mangilao, not all of them understand this, but we would like to keep our health insurance for those that are insured. [In Chamorro] Not all people have insurance; most of them are under MIP. Me, I have insurance.

And it helps me tremendously and I want to continue. Now, on the version of your bill that you want to negotiate on line 16, "Notwithstanding any other provision of law, each Fiscal Year, the Negotiating Team shall enter into negotiations with all Health Insurance Providers submitting a qualified proposal for health insurance coverage for qualified active employees and qualified retirees of the government of Guam".

We have health insurance already. Does anyone know of another one? In other words, if there such a company or offer, like what you are asking, will I be able to switch?

Senator Vicente Pangelinan. *Only if they are selected.*

Mr. Ben Meno. *And who selects them?*

Senator Vicente Pangelinan. *The same people who selected Calvo's.*

Mr. Ben Meno. *So, what's the problem, Senator?*

Senator Vicente Pangelinan. *We want to get the best deal that we can get. If you don't allow the other guy to come in the door and negotiate, then you don't know if you are getting the best deal.*



Mr. Ben Meno. *But, the government of Guam made that offer. It was open.*

Senator Vicente Pangelinan. *No, they only negotiate with one person.*

Mr. Ben Meno. *Yes, but everyone is invited. Only one came to eat the cake.*

Senator Vicente Pangelinan. *No, only one was allowed to eat the cake. The other ones were not even allowed.*

Mr. Ben Meno. *The others are not allowed.*

Senator Vicente Pangelinan. *No, they are not. We are not allowed to negotiate.*

Mr. Ben Meno. *Can I ask why?*

Senator Vicente Pangelinan. *You would have to ask the negotiating team. They did not allow the other companies to negotiate.*

Mr. Ben Meno. *Didn't the legislature have a representative in that core group?*

Senator Vicente Pangelinan. *That's beside the point. Yes, they did. Not representing the legislature but for the employees of the legislature.*

Chairman BJ Cruz. *We will take your testimony. Thank you for your testimony.*

Mr. Ben Meno. *Mr. Chair, thank you very much. I am not finished. I want to rest assure you that I would like to work with you and hear you further. But, I totally oppose this bill. I am fine with my health insurance and I am sure thousands out there are fine and if I have to go around – you know the gas if \$4.89. From Inarajan to here, and back, it will cost me \$25. So, think about what you want to do. I don't mind coming down here to Hagatna. [In Chamorro] I love Hagatna but I love the Inarajan jungle; it's quiet. I come here to make some noise and devotion, meaning happiness. I will listen to all of you.*

Hopefully the Chairman of Health will digest this and help us and all of you. I am counting on you as my leaders. I never said that you are not my leader. Whether I vote for you or not, you are the leaders of this island and I give you dignity and respect.

Chairman BJ Cruz. *Saina Ma'ase, Tun Ben. Mr. Francis Santos you are recognized.*

Mr. Francis Santos. *Thank you, Senator Cruz and Senators. We stand in support of the bill, certainly from a competitive standpoint. We were one of the offerers last year that did submit a bid but did not have an opportunity to come before the Negotiating Team. Moving forward, if the RFP does come out, like it's suppose to – my understanding is that it's due out in a couple of weeks – that we will submit a bid from our company and hopefully be allowed to negotiate and let's see if we can make a better deal for the employees and the retirees of the government of Guam.*



You will not know that until you fully disclose what the three plans – the three plans for example last year had to offer to you. That was never really disclosed. Our friends of Net Care went as far as they could in the protest process and backed away, for whatever reason they chose to. But, I think going forward, there's always better in a competitive environment to have better choices and more options. Especially when you are dealing with such a large group. If there's an argument as to what happened when other companies pulled out, every company has to make a business decision at some point whether you want to remain in business dealing with a certain client. It is our decision now to return to this market and that's our desire to come back in.

This will at least give us an opportunity to sit down at the table. My only concern is that I think the selection process that we have to deal with in government kind of preordains what is going to happen. The deck is stacked against the other competitor coming in, especially when you have one competitor or one plan already in there. Understanding the business process and the political decisions that have to be made, we'll deal with that and hopefully we can get in. This will at least allow the government and the Negotiating Team to say there's other deals that can be gotten out there. If we can live outside the parameters of the RFP - and that's one of the things we always look for. If a client came to you and said they would give you a better deal at a better price, how can the government go wrong? You don't have that currently in this situation. You only have one health plan with one price. We welcome this opportunity, Senators. If you can get this passed quickly because my understanding is that the RFP is due out in a couple of weeks with a response back by April. The window is closing fairly quickly on what your desire is here to try and get some competitive bids into the government so they can see if there is actually better options for the employees and retirees. Thank you.

Chairman BJ Cruz. *Thank you very much Mr. Santos. Mr. Campillo, are you going to read your testimony?*

Mr. Frank Campillo. *No.*

Chairman BJ Cruz. *Ok, you are just going to submit written testimony. Are there any other individuals who wish to testify? Any comments or questions?*

Senator Vicente Pangelinan. *I just wish to close. Again, the intent of the bill is not to mandate multiple plans; that's not the intent. That decision is left to the Committee. The intent of the legislation is that anybody who submits an offer is rated to be a qualified offerer by the Negotiating Committee and will be given an opportunity to negotiate. That's it. The Negotiating Committee can still only choose Calvo's, if they want to. But, everybody gets a chance to better their initial offer, if they are qualified at the very beginning. It's like when you buy a new car. You don't buy on the first price they give you. You want to see if they will give you a lower price because Cars Plus is calling and you are at AK. It's as simple as that. Thank you.*

Chairman BJ Cruz. *Any Senators wish to make a comment? I want to thank the representatives of SelectCare and Stay Well for attending today. My office has received notice that there is going to be written testimony submitted by one of the other insurance companies. Senator (former)*



Santos, you are correct that we need to do something and that's the reason why this hearing was conducted at the earliest possible date. The Legislature is meeting this month and we'd like to get this out; at least get an up or down vote on the floor by the end of this March session. We'll leave the record open to receive any written testimonies. It can be sent to: senator@senatorbjcruz.com or it can be delivered to the Guam Legislature to central files and it will be provided to the Committee.

Senator Rory Respicio. *Mr. Chairman, just a thought came to my mind and maybe the sponsor will yield. If you are requiring the Negotiating Team to enter into negotiations with all health insurance providers, are there protections in place so that the proprietary information will still be protected?*

Senator Vicente Pangelinan. *Yes. All the rules of the current negotiations remain in place. We are not changing any of the rules. We are not changing any of the disclosures. All of those that are currently in place will be applied equally to all the individuals that are allowed to negotiate if they are qualified.*

Senator Rory Respicio. *But, the Negotiating Team right now would only negotiate with the most qualified bidder and they won't look at the packets of the other submittals?*

Senator Vicente Pangelinan. *My understanding is what happens is that all the offers are submitted, they are given points and weighted based upon what is issued in the RFP so everybody knows what they are rated on and the highest rated offerer comes in and negotiates with the Negotiating Committee. If they can come to an agreement then they don't even go to the next person. They just take that final agreement they have. So, the highest rated offerer can change his plan and change his pricing during the negotiation process. But, the next guy you will never know if he is willing to change his price or change his benefit schedule because you never gave him an opportunity to negotiate. If you can come to a final agreement with the best-rated offerer, you end there and everything else stops.*

Senator Rory Respicio. *But those who came in second and third, they will never know what the first one is offering?*

Senator Vicente Pangelinan. *That is correct.*

Senator Rory Respicio. *Those financials and those models will still be protected?*

Senator Vicente Pangelinan. *That is correct.*

Senator Rory Respicio. *Thank you. I just want to quickly ask because Calvo's SelectCare submitted this in their testimony. What happened with MultiCover in 1998 where Calvo's SelectCare is saying that they [MultiCover] was withdrawn because it was highly politically charged year? Is it a statement that could be backed up by fact? Because one can argue that the reason we have our current health care providers because of politics. I am not sure, Frank [Campillo] if you want to go down this road and explain for me why you believe MultiCover was*



removed from the GovGuam market. Maybe that's why you don't want to testify [oral] because you don't want to be asked that question. Mr. Chairman, do you recall?

Mr. Frank Campillo. *It went to court.*

Senator Rory Respicio. *I don't want to censor what the public submits to us in their testimony. But, I certainly want to challenge everything that any member of the public says in the testimony they provide to the Legislature. So, maybe as a follow up in writing why you [directed to Mr. Frank Campillo] believe that MultiCover was removed from GovGuam market in 1998 during a highly politically charged year.*

Mr. Frank Campillo. *Be happy to.*

Senator Rory Respicio. *I hope so.*

Chairman BJ Cruz. *Any other member have any thoughts? If there are no further questions, Bill 435 is deemed heard. The record will remain open to receive testimonies until we complete the committee report and submit to the body for vote.*

I want to thank everybody for coming and submitting written and oral testimony. We stand adjourned."

Additional written testimony was submitted, and attached to this report, from the following persons:

- **Mr. Frank Campillo**, Plan Administrator for SelectCare Health Plans, not in favor of the measure.
- **Mr. Jerry Crisostomo**, Plan Administrator for NetCare Life and Health Insurance, in support of the measure.
- **Ms. Benita Manglona**, Director of the Department of Administration, not in favor of the measure.
- **Ms. Antonette Muna Santos**, Department of Education Administrator – Personnel, in support of the measure.

III. FINDINGS AND RECOMMENDATIONS

Written testimony submitted by the Department of Administration (DOA) and a representative of SelectCare Health Plans indicates opposition to Bill No. 435-31 (COR) and support for a single carrier in procuring health insurance services for the Government of Guam. DOA cited a January 22, 2007 report stating among other things, "*GovGuam would be better off with fewer benefit offerings (no more than 2) and probably one carrier.*" The committee has reviewed this statement and finds that Bill No. 435-31 (COR) would not prevent the government from procuring a health plan in such a manner.



The Committee finds that the original Bill No. 435-31 (COR) amends Section 4302(c), Article 3, Chapter 4, Title 4 of the Guam Code Annotated, but in doing so omitted certain Subsections (c)(1), (c)(2), and (c)(3). It was not the intent of the author to repeal these Subsections. Therefore, the Committee recommends substituting Bill No. 435-31 (COR) so as to keep those Subsections in the statute.

The Committee further finds that the author intended to ensure membership on the Guam Health Insurance Negotiating Team for a non-governmental, non-medical industry, member representing the community-at-large. The Committee recommends that the measure be further substituted to clarify that intent.

The Committee on Youth, Cultural Affairs, Procurement, General Government Operations and Public Broadcasting to which was referred Bill No. 435-31 (COR) "An act to *amend* Section 4302(c), Article 3, Chapter 4, Title 4 of the Guam Code Annotated, relative to negotiating and procuring health insurance services for the Government of Guam" hereby reports out **Bill No. 435-31(COR), as Substituted**, with a recommendation to TO REPORT OUT ONLY.

2012 FEB 25
171-2-11

I MINA 'TRENTAI UNU NA LIHESLATURAN GUÅHAN
2012 (SECOND) Regular Session

Bill No. 435-31 (COV)

Introduced by:

V.C. Pangelinan
J.P. Guthertz
B.J.F. Cruz

AN ACT TO AMEND SECTION 4302(c), ARTICLE 3, CHAPTER 4, TITLE 4 OF THE GUAM CODE ANNOTATED, RELATIVE TO NEGOTIATING AND PROCURING HEALTH INSURANCE SERVICES FOR THE GOVERNMENT OF GUAM.

BE IT ENACTED BY THE PEOPLE OF GUAM:

1 **Section 1.** Section 4302(c), Article 3, Chapter 4, Title 4 of the Guam Code
2 Annotated is hereby *amended* to read as follows:
3 “(c) The Government of Guam Health Insurance Negotiating Team shall
4 consist of the Director of Administration, who *shall* be Chairperson; the
5 Administrator of the Department of Integrated Services for Individuals with
6 Disabilities (DISID), or his or her designee; the Director of the Bureau of Budget
7 and Management Research, or his or her designee; an employee representative
8 from the Judicial Branch to be appointed by the Chief Justice of the Supreme Court
9 of Guam; an employee representative of the Legislative Branch to be appointed by
10 the Speaker of *I Liheslaturan Guåhan*; the Superintendent of the Department of
11 Education, or his or her designee; the Director of the Government of Guam
12 Retirement Fund, or his or her designee; a retiree who is a member of the
13 Government of Guam Retirement Fund to be appointed by the Board of Trustees of
14 the Government of Guam Retirement Fund; one (1) member of the general public,
15 appointed by *I Maga'låhen Guåhan* who is not an employee of the government of

1 Guam or an appointee by the Governor to any government agency, board or
2 commission; the Chairperson of the Committee on Health or the successor
3 committee of *I Liheslaturan Guåhan*, or his or her designee, who shall sit as an ex-
4 officio non-voting member; and the Chairperson of the Committee on
5 Appropriations, or the successor committee of *I Liheslaturan Guåhan*, or his or her
6 designee, who shall sit as an ex-officio non-voting member. The Negotiating Team
7 *shall* examine the financial information of the prepaid health insurance companies,
8 health care providers or other legal entities for the purpose of developing the most
9 economical and beneficial health plan for the Government of Guam employees and
10 retirees. The Negotiating Team may obtain technical support from other financial
11 and health-related agencies. The Negotiating Team *shall* develop its rules of
12 procedure in accordance with the Administrative Adjudication Law. The
13 Negotiating Team with the approval of *I Maga'låhi* is authorized to contract an
14 actuary competent to develop proposed health insurance rates or other recognized
15 expert to train and/or advise the Negotiating Team. Notwithstanding any other
16 provision of law, each Fiscal Year, the Negotiating Team shall enter into
17 negotiations with all Health Insurance Providers submitting a qualified proposal
18 for health insurance coverage for qualified active employees and qualified retirees
19 of the government of Guam.”

20 **Section 2. Severability.** If any provisions of this Act or the application
21 thereof to any person or circumstance is held invalid, such invalidity *shall not*
22 affect any other provision or application of this Act which can be given effect
23 without the invalid provision or application, and to this end the provisions of this
24 Act are severable.

25

26

I MINA'TRENTAI UNU NA LIHESLATURAN GUÅHAN
2012 (SECOND) Regular Session

Bill No. 435-31 (COR)

As Substituted by Committee on Youth, Cultural Affairs, Procurement,
General Government Operations and Public Broadcasting

Introduced by:

**V.C. Pangelinan
J.P. Guthertz
B.J.F. Cruz**

**AN ACT TO *AMEND* SECTION 4302(c), *NOT* INCLUDING
SUBSECTIONS (c)(1), (c)(2) AND (c)(3) OF ARTICLE 3, CHAPTER
4, TITLE 4 OF THE GUAM CODE ANNOTATED, RELATIVE TO
NEGOTIATING AND PROCURING HEALTH INSURANCE
SERVICES FOR THE GOVERNMENT OF GUAM.**

BE IT ENACTED BY THE PEOPLE OF GUAM:

1 **Section 1.** Section 4302(c), Article 3, Chapter 4, Title 4 of the Guam Code
2 Annotated *not* including Subsections (c)(1), (c)(2) and (c)(3) is hereby *amended* to
3 read as follows:
4 “(c) The Government of Guam Health Insurance Negotiating Team shall
5 consist of the Director of Administration, who *shall* be Chairperson; the
6 Administrator of the Department of Integrated Services for Individuals with
7 Disabilities (DISID), or his or her designee; the Director of the Bureau of Budget
8 and Management Research, or his or her designee; an employee representative
9 from the Judicial Branch to be appointed by the Chief Justice of the Supreme Court
10 of Guam; an employee representative of the Legislative Branch to be appointed by
11 the Speaker of *I Liheslaturan Guåhan*; the Superintendent of the Department of
12 Education, or his or her designee; the Director of the Government of Guam
13 Retirement Fund, or his or her designee; a retiree who is a member of the

1 Government of Guam Retirement Fund to be appointed by the Board of Trustees of
2 the Government of Guam Retirement Fund; one (1) member of the general public,
3 appointed by *I Maga'låhen Guåhan* who is not an employee of the government of
4 Guam, an employee of a health insurance company, hospital, or medical provider,
5 or an appointee by the Governor to any government agency, board or commission;
6 the Chairperson of the Committee on Health or the successor committee of *I*
7 *Liheslaturan Guåhan*, or his or her designee, who shall sit as an ex-officio non-
8 voting member; and the Chairperson of the Committee on Appropriations, or the
9 successor committee of *I Liheslaturan Guåhan*, or his or her designee, who shall
10 sit as an ex-officio non-voting member. The Negotiating Team *shall* examine the
11 financial information of the prepaid health insurance companies, health care
12 providers or other legal entities for the purpose of developing the most economical
13 and beneficial health plan for the Government of Guam employees and retirees.
14 The Negotiating Team may obtain technical support from other financial and
15 health-related agencies. The Negotiating Team *shall* develop its rules of procedure
16 in accordance with the Administrative Adjudication Law. The Negotiating Team
17 with the approval of *I Maga'låhi* is authorized to contract an actuary competent to
18 develop proposed health insurance rates or other recognized expert to train and/or
19 advise the Negotiating Team. Notwithstanding any other provision of law, each
20 Fiscal Year, the Negotiating Team *shall* solicit both exclusive and non-exclusive
21 proposals from each Health Insurance Provider and enter into negotiations with *all*
22 Health Insurance Providers submitting a-qualified proposals for health insurance
23 coverage for qualified active employees and qualified retirees of the government of
24 Guam.

25 **Section 2. Severability.** If any provisions of this Act or the application
26 thereof to any person or circumstance is held invalid, such invalidity *shall* not
27 affect any other provision or application of this Act which can be given effect

- 1 without the invalid provision or application, and to this end the provisions of this
- 2 Act are severable.



115 Chalan Santo Papa Hagåtña • P.O. Box FJ Hagåtña, Guam 96932 • Phone: (671) 477-9808 • Fax: (671) 477-4141

March 13, 2012

The Honorable Benjamin J. Cruz
Vice Speaker
I MINA 'TRENTAI UNU NA LIHESTATURAN GUAHAN
155 Hesler St., Ste 107
Hagatna, Guam 96910

Re: **Bill 435-31**

Dear Senator Cruz:

We are providing testimony concerning Bill 435-31 relative to negotiating and procuring Health Insurance Services for the Government of Guam (GovGuam) employees and retirees.

During the past fifteen years, GovGuam has experienced an exodus of providers of health insurance to its pool of employees and retirees, and this trend began in the early 1990's with the withdrawal of HML. Multicover was removed from the GovGuam market in 1998 during a highly politically charged year, which was followed by the withdrawals of GMHP in 2000 and GPHIL, PacifiCare (now Takecare) in 2005, and StayWell in 2008.

With the exception of the political removal of Multicover, all other insurance carriers opted to withdraw from the market due to poor underwriting experience of the GovGuam group. As a result of the uncertainty with insurance carriers offering health benefits to GovGuam and the numerous withdrawals, the legislative committee on health requested the Department of Administration "DOA" in 2006 to conduct a comprehensive actuarial review of the program and the firm of Lewis & Ellis, Inc., Actuaries & Consultants, was hired in 2007 to perform the work. Lewis & Ellis concluded in their report that GovGuam rates would be more stable if there was only one carrier and two benefit plans offered.

Furthermore, the sponsor of the bill argues that GovGuam employees and retirees may be able to choose from different plans based on the best quality plan at the best price, however, the opposite occurred when multiple carriers were allowed and this could occur again as insurance carriers will have to price or rate plans with a higher degree of uncertainty and the possibility for adverse selection. Rates in current years have been relatively consistent, except for the FY2010 year, in which the trending for the new benefits and higher maximum of the newly enacted Patient Protection and Affordable Care Act (PPACA) or (ACA) that took effect, and GovGuam was perhaps one of the first plans in the nation to be affected and rates for that Fiscal Year may have been overly conservative to adjust for the new annual maximums and higher benefits.

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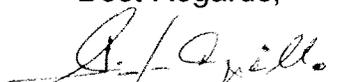
The Honorable Benjamin J Cruz
Page 2
March 13, 2012

Notwithstanding the conservative pricing of the FY2010 year, GovGuam is not overcharged as argued by some, especially since "PPACA" also mandates certain guarantee percentages that must be spent in claims with certain allowances, and any amounts below said percentage shall be returned to the insureds. Therefore, the argument that an insurance company may be taking advantage of GovGuam is invalidated by the new requirements of PPACA concerning the 85% Medical Loss Ratio "MLR".

The reality is that GovGuam on average has had lower medical premium rates than most other States and has also seen comparatively lesser rate increases. As a matter of fact, the premiums charged for a post PPACA plan for GovGuam active employees during the FY2011 were lower than those charged in FY2006 for a pre PPACA SC-1500, and even lower during the FY2012. The premiums are also significantly lower on the current two plans when compared to the last two first dollar benefit plans offered to GovGuam in FY2006 and 2007. ***Please reference the enclosed premium comparison.***

Based on the above, the Guam Legislature should review and allow the recommendations of a single vendor as suggested by the actuarial consulting group of Lewis & Ellis in their 2007 study. Multiple carriers will not deliver the objectives dreamed by the bill and may cause further disruption and future exodus of carriers, which is contrary to what is the best interest of GovGuam employees and retirees.

Best Regards,


Frank Campillo
Plan Administrator

Cc: All Senators

***Enclosures: 1. GovGuam premium comparisons FY2005 to FY2012
2. Current rates for Hawaii, California, Oregon, and New York
3. Copy of study by Lewis and Ellis***

**HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
RETIREE RATES
EFFECTIVE JANUARY 1, 2012**

Benefit Plan	Type of Enrollment	Monthly Premium	Admin Fee	Total Contribution Required
MEDICAL PLANS - MEDICARE				
HMSA 90/10 PPO Medicare	Self	\$175.88	\$2.12	\$178.00
	Two-Party	\$342.76	\$4.48	\$347.24
	Family	\$508.10	\$6.54	\$514.64
Medicare Prescription Drug	Self	\$203.54	\$0.62	\$204.16
	Two-Party	\$396.31	\$1.29	\$397.60
	Family	\$587.58	\$1.86	\$589.44
Kaiser Senior Advantage Medicare Kaiser Prescription Drug	Self	\$362.76	\$2.76	\$365.52
	Two-Party	\$707.32	\$5.76	\$713.08
	Family	\$1,048.24	\$8.40	\$1,056.64
MEDICAL PLANS - NON MEDICARE				
HMSA 90/10 PPO Non Medicare	Self	\$379.24	\$2.12	\$381.36
	Two-Party	\$738.96	\$4.48	\$743.44
	Family	\$1,095.50	\$6.54	\$1,102.04
Non Medicare Prescription Drug	Self	\$109.56	\$0.60	\$110.16
	Two-Party	\$213.36	\$1.28	\$214.64
	Family	\$316.36	\$1.88	\$318.24
Kaiser Comprehensive HMO Non Medicare Kaiser Prescription Drug	Self	\$657.04	\$2.76	\$659.80
	Two-Party	\$1,281.20	\$5.76	\$1,286.96
	Family	\$1,898.76	\$8.40	\$1,907.16
DENTAL PLAN				
HDS Dental Retiree	Self	\$28.56	\$0.32	\$28.88
	Two-Party	\$55.68	\$0.64	\$56.32
	Family	\$68.28	\$0.96	\$69.24
VISION PLAN				
VSP Vision Retiree	Self	\$5.06	\$0.06	\$5.12
	Two-Party	\$10.12	\$0.12	\$10.24
	Family	\$13.59	\$0.17	\$13.76
LIFE INSURANCE				
Royal State National Life Insurance (Retiree only)	Self	\$4.12	\$0.04	\$4.16

**HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUNC
ACTIVE EMPLOYEES**

EFFECTIVE JANUARY 1, 2012:

FOR BOARD OF WATER SUPPLY, CITY & COUNTY OF HONOLULU, COUNTY OF KAUAI, HI PUBLIC CHARTER SCHOOLS,
& STATE - BU'S 01, 02, 03, 04, 06, 07, 08, 13

HSTA VEBA EMPLOYEES WHO OPTED TO TRANSFER TO EUTF PLANS - BU'S 05, 45

BU'S 05, 45 EMPLOYEES HIRED ON OR AFTER JANUARY 1, 2011

Benefit Plan	Type of Enrollment	Semi-Monthly Employee Contribution	Monthly Employee Contribution	Monthly Employer Contribution	Total
MEDICAL PLANS					
HMSA 90/10 PPO RSN Chiropractic	Self	\$86.26	\$172.52	\$172.52	\$345.04
	Two-Party	\$209.06	\$418.12	\$418.12	\$836.24
	Family	\$266.67	\$533.34	\$533.34	\$1,066.68
HMSA 80/20 PPO RSN Chiropractic	Self	\$82.35	\$164.70	\$164.70	\$329.40
	Two-Party	\$199.57	\$399.14	\$399.14	\$798.28
	Family	\$254.57	\$509.14	\$509.14	\$1,018.28
Prescription Drug - PPO Plans	Self	\$15.35	\$30.70	\$30.70	\$61.40
	Two-Party	\$37.26	\$74.52	\$74.52	\$149.04
	Family	\$47.54	\$95.08	\$95.08	\$190.16
HMSA HMO Prescription Drug RSN Chiropractic	Self	\$113.19	\$226.38	\$226.38	\$452.76
	Two-Party	\$274.45	\$548.90	\$548.90	\$1,097.80
	Family	\$350.07	\$700.14	\$700.14	\$1,400.28
HMSA High Deductible Health Plan Prescription Drug	Self	\$85.60	\$171.20	\$171.20	\$342.40
	Two-Party	\$207.55	\$415.10	\$415.10	\$830.20
	Family	\$264.95	\$529.90	\$529.90	\$1,059.80
Kaiser Basic Prescription Drug RSN Chiropractic	Self	\$94.86	\$189.72	\$189.72	\$379.44
	Two-Party	\$230.13	\$460.26	\$460.26	\$920.52
	Family	\$293.70	\$587.40	\$587.40	\$1,174.80
Kaiser Comprehensive Prescription Drug RSN Chiropractic	Self	\$108.70	\$217.40	\$217.40	\$434.80
	Two-Party	\$263.77	\$527.54	\$527.54	\$1,055.08
	Family	\$336.62	\$673.24	\$673.24	\$1,346.48
HMSA Supplemental Prescription Drug RSN Chiropractic	Self	\$52.26	\$104.52	\$104.52	\$209.04
	Two-Party	\$126.53	\$253.06	\$253.06	\$506.12
	Family	\$161.45	\$322.90	\$322.90	\$645.80
Royal State National Supplemental Prescription Drug RSN Chiropractic	Self	\$10.86	\$21.72	\$21.72	\$43.44
	Two-Party	\$26.70	\$53.40	\$53.40	\$106.80
	Family	\$30.18	\$60.36	\$60.36	\$120.72
DENTAL PLAN					
HDS Dental	Self	\$7.29	\$14.58	\$14.58	\$29.16
	Two-Party	\$14.58	\$29.16	\$29.16	\$58.32
	Family	\$23.96	\$47.92	\$47.92	\$95.84
VISION PLAN					
VSP Vision	Self	\$1.51	\$3.02	\$3.02	\$6.04
	Two-Party	\$2.79	\$5.58	\$5.58	\$11.16
	Family	\$3.65	\$7.30	\$7.30	\$14.60
LIFE INSURANCE					
Royal State National Life Insurance	Employee	\$0.00	\$0.00	\$4.16	\$4.16

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
ACTIVE EMPLOYEES

EFFECTIVE JANUARY 1, 2012:

FOR BOARD OF WATER SUPPLY, CITY & COUNTY OF HONOLULU, COUNTY OF KAUAI, HI PUBLIC CHARTER SCHOOLS,
& STATE - BU'S 09, 10, 11

Benefit Plan	Type of Enrollment	Semi-Monthly Employee Contribution	Monthly Employee Contribution	*Monthly Employer Contribution	Total
MEDICAL PLANS					
HMSA 90/10 PPO RSN Chiropractic	Self	\$77.85	\$155.70	\$189.34	\$345.04
	Two-Party	\$188.46	\$376.92	\$459.32	\$836.24
	Family	\$240.29	\$480.58	\$586.10	\$1,066.68
HMSA 80/20 PPO RSN Chiropractic	Self	\$70.03	\$140.06	\$189.34	\$329.40
	Two-Party	\$169.48	\$338.96	\$459.32	\$798.28
	Family	\$216.09	\$432.18	\$586.10	\$1,018.28
Prescription Drug - PPO Plans	Self	\$9.33	\$18.66	\$42.74	\$61.40
	Two-Party	\$22.68	\$45.36	\$103.68	\$149.04
	Family	\$28.84	\$57.68	\$132.48	\$190.16
HMSA HMO Prescription Drug RSN Chiropractic	Self	\$110.34	\$220.68	\$232.08	\$452.76
	Two-Party	\$267.40	\$534.80	\$563.00	\$1,097.80
	Family	\$340.85	\$681.70	\$718.58	\$1,400.28
HMSA High Deductible Health Plan Prescription Drug	Self	\$55.16	\$110.32	\$232.08	\$342.40
	Two-Party	\$133.60	\$267.20	\$563.00	\$830.20
	Family	\$170.61	\$341.22	\$718.58	\$1,059.80
Kaiser Basic Prescription Drug RSN Chiropractic	Self	\$73.68	\$147.36	\$232.08	\$379.44
	Two-Party	\$178.76	\$357.52	\$563.00	\$920.52
	Family	\$228.11	\$456.22	\$718.58	\$1,174.80
Kaiser Comprehensive Prescription Drug RSN Chiropractic	Self	\$101.36	\$202.72	\$232.08	\$434.80
	Two-Party	\$246.04	\$492.08	\$563.00	\$1,055.08
	Family	\$313.95	\$627.90	\$718.58	\$1,346.48
HMSA Supplemental Prescription Drug RSN Chiropractic	Self	\$36.51	\$73.02	\$136.02	\$209.04
	Two-Party	\$88.09	\$176.18	\$329.94	\$506.12
	Family	\$112.28	\$224.56	\$421.24	\$645.80
Royal State National Supplemental Prescription Drug RSN Chiropractic	Self	\$8.12	\$16.24	\$27.20	\$43.44
	Two-Party	\$20.15	\$40.30	\$66.50	\$106.80
	Family	\$22.40	\$44.80	\$75.92	\$120.72
DENTAL PLAN					
HDS Dental	Self	\$4.83	\$9.66	\$19.50	\$29.16
	Two-Party	\$9.64	\$19.28	\$39.04	\$58.32
	Family	\$7.54	\$15.08	\$80.76	\$95.84
VISION PLAN					
VSP Vision	Self	\$1.20	\$2.40	\$3.64	\$6.04
	Two-Party	\$2.20	\$4.40	\$6.76	\$11.16
	Family	\$2.88	\$5.76	\$8.84	\$14.60
LIFE INSURANCE					
Royal State National Life Insurance	Employee	\$0.00	\$0.00	\$4.16	\$4.16

*Effective July 1, 2011 Until Agreement is Reached

CalPERS 2012 Health Premiums - State

Basic	2011			2012			Percent Change (+/-)
	Single	2-Party	Family	Single	2-Party	Family	
Blue Shield Access+	\$601.68	\$1,203.36	\$1,564.37	\$622.90	\$1,245.80	\$1,619.54	3.53%
Blue Shield NetValue	517.72	1,035.44	1,346.07	535.73	1,071.46	1,392.90	3.48%
CAHP	602.71	1,170.07	1,530.35	602.71	1,170.07	1,530.35	0.00%
CCPOA North	542.95	1,087.34	1,467.72	560.28	1,122.15	1,514.74	3.20%
CCPOA South	447.86	897.13	1,211.96	462.14	925.83	1,250.77	3.20%
Kaiser CA	522.58	1,045.16	1,358.71	559.11	1,118.22	1,453.69	6.99%
Kaiser/Out of State	785.28	1,570.56	2,041.73	816.47	1,632.94	2,122.82	3.97%
PERS Choice	535.45	1,070.90	1,392.17	545.56	1,091.12	1,418.46	1.89%
PERS Select	468.24	936.48	1,217.42	463.12	926.24	1,204.11	-1.09%
PERSCare	849.60	1,699.20	2,208.96	977.98	1,955.96	2,542.75	15.11%
PORAC	527.00	987.00	1,254.00	556.00	1,041.00	1,323.00	5.49%

Total Basic Change 4.61%

Basic HMO Plan Change 5.30%

Basic Self Funded Plan Change 3.04%

Basic Association Plan Change 2.66%

Medicare	2011			2012			Percent Change (+/-)
	Single	2-Party	Family	Single	2-Party	Family	
Blue Shield Access+	\$337.88	\$675.76	\$1,013.64	\$337.99	\$675.98	\$1,013.97	0.03%
Blue Shield NetValue	337.88	675.76	1,013.64	337.99	675.98	1,013.97	0.03%
CAHP	354.00	655.00	832.00	354.00	655.00	832.00	0.00%
CCPOA North	345.56	692.00	1,034.57	386.26	773.85	1,157.12	11.81%
CCPOA South	345.56	692.00	1,034.57	386.26	773.85	1,157.12	11.81%
Kaiser CA	282.30	564.60	846.90	277.81	555.62	833.43	-1.59%
Kaiser/Out of State	354.81	709.62	1,064.43	366.87	733.74	1,100.61	3.40%
PERS Choice	375.88	751.76	1,127.64	383.44	766.88	1,150.32	2.01%
PERS Select	375.88	751.76	1,127.64	383.44	766.88	1,150.32	2.01%
PERSCare	433.66	867.32	1,300.98	432.43	864.86	1,297.29	-0.28%
PORAC	418.00	833.00	1,331.00	418.00	833.00	1,331.00	0.00%

Total Medicare Change 0.05%

Medicare HMO Plan Change -0.94%

Medicare Self Funded Plan Change 0.73%

Medicare Association Plan Change 0.86%

Basic and Medicare Combined

Total Change from 2011 ⇨ 4.05%

Total HMO Change from 2011 ⇨ 4.84%

Total PPO Change from 2011 ⇨ 2.45%

Total Assoc. Change from 2011 ⇨ 2.56%



**2012 Premium Rate Estimators
Health Plans & Programs (pp.1-3)
Optional Benefits (pp. 4-7)**



Table 1. 2012 Employee Medical Plan Monthly Premium Rates

	Employees	Employee & Spouse/Partner	Employee & Children	Employee & Family
PEBB Statewide PPO¹	\$990.52	\$1,327.15	\$1,139.02	\$1,356.87
Providence Choice²	870.22	1,166.06	1,000.76	1,192.18
Kaiser HMO³	983.01	1,317.23	1,130.49	1,346.73
Kaiser Deductible³	903.83	1,211.11	1,039.40	1,238.24
PEBB Statewide Part-time PPO⁴	793.10	1,062.66	912.03	1,086.46
Providence Choice Part-time⁵	693.57	929.36	797.61	950.17
Kaiser HMO Part-time⁶	832.18	1,115.10	957.00	1,140.06
Kaiser Deductible Part-Time⁶	785.96	1,053.18	903.87	1,076.76

¹ Available to PEBB eligible full-time and part-time employees. VSP routine vision services.

² Available to PEBB eligible full-time and part-time employees in plan service area. VSP routine vision services.

³ Available to PEBB eligible full-time and part-time employees in plan service area. Kaiser routine vision services.

⁴ Additional option available to eligible part-time employees. No vision benefit.

⁵ Additional option available to eligible part-time employees in plan service area. No vision benefit.

⁶ Additional option available to eligible part-time employees in plan service area. Vision exam only.

Table 2. 2012 Employee Dental Plan Monthly Premium Rates

	Employees	Employee & Spouse/Partner	Employee & Children	Employee & Family
ODS Preferred¹	\$75.08	\$100.60	\$86.33	\$102.86
ODS Traditional²	81.27	108.91	93.47	111.35
Kaiser Permanente³	75.61	101.31	86.96	103.58
Willamette Dental Group⁴	75.08	100.61	86.34	102.86
ODS Part-time⁵	58.48	78.36	67.26	80.13
Kaiser Permanente Part-time⁶	56.35	75.50	64.80	77.21

¹ Available to PEBB eligible full-time and part-time employees.

² Available to PEBB eligible full-time and part-time employees.

³ Available to PEBB eligible full-time and part-time employees in plan service area.

⁴ Available to PEBB eligible full-time and part-time employees; in plan offices.

⁵ Additional option available to eligible part-time employees in plan service area.

⁶ Additional option available to eligible part-time employees; in plan facilities.

**Table 3. 2012 Subsidy for Part-time Employees Who Enroll in a Part-time Plan
With Employer Subsidy Amount Based on 95% Employer Premium Share**

Coverage Tier	Employer Subsidy Amount
Employee Only	\$346.25
Employee & Partner	452.34
Employee & Child(ren)	395.94
Employee & Family	460.52

U.S. Govt

Retiree Rates

2012 Retiree Medical Plan Monthly Premium Rates				
	Retiree	Retiree & Spouse/Partner	Retiree & Children	Retiree & Family
PEBB Statewide PPO ¹	\$983.37	\$1,317.58	\$1,130.80	\$1,347.08
Providence Choice ²	863.80	1,157.46	993.37	1,183.38
Kaiser ³	975.97	1,307.80	1,122.39	1,337.09
Kaiser Deductible ³	897.35	1,202.44	1,031.96	1,229.37
PEBB Statewide Part-Time PPO ⁴	787.38	1,054.99	905.45	1,078.62
Providence Choice Part-Time ⁵	688.57	922.65	791.85	943.31
Kaiser Part-Time ⁶	826.22	1,107.12	950.15	1,131.90
Kaiser Deductible Part-Time ⁶	780.34	1,045.64	897.40	1,069.05
1 Available to PEBB eligible retirees. VSP routine vision services.				
2 Available to PEBB eligible retirees in plan service area. VSP routine vision services.				
3 Available to PEBB eligible retirees in plan service area. Kaiser routine vision services.				
4 Additional option available to eligible retirees. No vision benefit.				
5 Additional option available to eligible retirees in plan service area. No vision benefit.				
6 Additional option available to eligible retirees in plan service area. Vision exam only.				

2012 Retiree Optional Vision Plan Monthly Premium Rates					
	Self	Self & Spouse/Domestic Partner	Self & Children	Self & Family	Child Only
VSP Optional Part-Time	\$12.90	25.80	25.80	30.31	12.90

COBRA Rates

2012 COBRA Participant Medical Plan Monthly Premium Rates					
	Self	Self & Spouse/Partner	Self & Children	Self & Family	Child (ren) Only ⁷

New York

Biweekly Employee Costs Schedule With NYSHIP Drug Coverage													
2012 NYSHIP Rates		For Employees of the State of New York who are Management/Confidential or represented by the Civil Service Employees Association (CSEA); Unified court System (UCS) Judges and Justices, UCS Employees represented by CSEA and unrepresented Employees; Legislature				For Employees of the State of New York who are represented by the Public Employees Federation (PEF) and Unified Court System (UCS) Employees represented by unions other than CSEA							
		Salary Grade 9 and Below		Salary Grade 10 and Above		Salary Grade 9 and Below				Salary Grade 10 and Above			
Code	Plan	Ind	Fam	Ind	Fam	1/1 - 3/31/2012		4/1 - 12/31/2012		1/1 - 3/31/2012		4/1 - 12/31/2012	
		Ind	Fam	Ind	Fam	Ind	Fam	Ind	Fam	Ind	Fam	Ind	Fam
001	The Empire Plan	32.93	132.48	43.90	158.19	36.34	141.17	32.93	132.48	54.51	183.54	43.90	158.19
210	Aetna	124.89	508.02	135.63	533.77	130.02	516.25	124.89	508.02	147.66	558.42	135.63	533.77
066	Blue Choice	25.69	111.08	34.25	132.29	28.53	117.84	25.69	111.08	42.76	152.56	34.25	132.29
063	Capital District Physicians' Health Plan (CDPHP) (Capital)	28.38	121.21	37.84	144.42	32.59	129.22	28.38	121.21	48.59	168.37	37.84	144.42
300	Capital District Physicians' Health Plan (CDPHP) (Central)	56.72	193.65	66.71	218.27	61.69	201.70	56.72	193.65	78.26	242.38	66.71	218.27
310	Capital District Physicians' Health Plan (CDPHP) (Hudson Valley)	61.50	205.28	71.44	229.76	66.46	213.31	61.50	205.28	82.97	253.81	71.44	229.76
067	Community Blue	32.20	167.17	42.94	194.23	35.58	175.84	32.20	167.17	53.08	220.18	42.94	194.23
280	Empire BlueCross BlueShield HMO (Upstate)	41.84	188.99	53.28	217.57	47.03	197.69	41.84	188.99	65.51	243.62	53.28	217.57
290	Empire BlueCross BlueShield HMO (Downstate)	122.74	402.09	134.46	431.40	127.93	410.80	122.74	402.09	146.69	457.47	134.46	431.40
320	Empire BlueCross BlueShield HMO (Mid-Hudson)	112.29	372.01	123.93	401.12	117.49	380.73	112.29	372.01	136.18	427.22	123.93	401.12
220	GHI HMO	115.33	387.44	126.28	414.59	120.62	396.35	115.33	387.44	138.80	441.27	126.28	414.59
350	GHI HMO	141.57	465.61	152.52	492.76	146.86	474.52	141.57	465.61	165.04	519.43	152.52	492.76
050	HIP Health Plan of New York	60.97	196.09	71.59	222.16	66.08	204.47	60.97	196.09	83.58	247.25	71.59	222.16
072	HMOBlue Excellus BlueCross BlueShield (Central New York Region)	84.10	258.56	94.18	283.15	89.11	266.63	84.10	258.56	105.85	307.30	94.18	283.15
160	HMOBlue Excellus BlueCross BlueShield (Utica Region)	95.82	316.43	105.78	340.95	100.71	324.30	95.82	316.43	117.12	364.50	105.78	340.95
059	Independent Health	44.71	164.97	55.04	190.43	47.98	173.04	44.71	164.97	64.85	214.63	55.04	190.43
058	MVP Health Care (Rochester)	26.08	111.20	34.78	132.51	28.89	118.10	26.08	111.20	43.21	153.19	34.78	132.51
060	MVP Health Care (East)	28.35	121.05	37.80	144.24	31.30	128.28	28.35	121.05	46.65	165.95	37.80	144.24
330	MVP Health Care (Central)	49.72	174.74	59.47	198.76	54.61	182.59	49.72	174.74	70.79	222.28	59.47	198.76
340	MVP Health Care (Mid-Hudson)	54.44	186.23	64.20	210.27	59.31	194.04	54.44	186.23	75.45	233.63	64.20	210.27
360	MVP Health Care (North)	90.43	277.63	100.37	302.11	95.38	285.64	90.43	277.63	111.86	326.06	100.37	302.11



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March 13, 2012

The Honorable Benjamin J. Cruz
Vice Speaker & Chairman, Committee on Youth,
Cultural Affairs, Procurement, General Governmental
Operations and Public Broadcasting
31st Guam Legislature
156 Hesler Place
Hagatna, Guam 96910

RE: Bill 435

Dear Mr. Chairman and Members of the Committee:

I write in support of the passage of Bill 435. Government of Guam employees and retirees should be given the opportunity of making their own health care insurance selections, without being forced to choose plans offered by a single insurance carrier or do without the benefits of a negotiated health care contract. The winner take all approach to health care insurance does not offer choice to Government of Guam employees and retirees, and it is a disincentive for other health care plans to even consider offering their services to Government of Guam.

I believe that you and your colleagues in the Legislature are familiar with what has happened on Guam when there is a lack of true competition in the market place, whether it is in the airline service, shipping services, the telecommunications market or the health care industry. The consumers of Guam have always benefitted when there is more competition, not less and they have always paid more or gotten less service when competition was not present.

Historically, until about 4 years ago, Government of Guam employees were given the option of choosing between competing health insurance plans. This gave employees a genuine choice and a sense of having at least some control over how their health care dollars were spent. While we understand that insurance carriers in the past opted not to submit a proposal to Government of Guam, this past year, however, there were three (3) carriers that responded to the Government's Request for Proposal. However, only one carrier was selected to provide coverage. Bill 435 restores at least some of this choice to Government of Guam workers and retirees by authorizing the Negotiating Team to enter into negotiations with all health insurance carriers submitting a qualified proposal. We urge you to give this legislation your full support.

Sincerely,

A handwritten signature in black ink, appearing to read "Jerry Crisostomo". The signature is stylized and fluid.

Jerry Crisostomo, MHP
Plan Administrator



Eddie Baza Calvo
Governor
Ray Tenorio
Lieutenant Governor

GOVERNMENT OF GUÅHAN
(GUBETNAMENTON GUÅHAN)

DEPARTMENT OF ADMINISTRATION
(DIPATTAMENTON ATMENESTRASION)

DIRECTOR'S OFFICE

(Ufisinan Direktot)
Post Office Box 884 * Hagåtña, Guam 96932
TEL: (671) 475-1101/1250 * FAX: (671) 477-6788



Benita A. Manglona
Director
Anthony C. Blaz
Deputy Director

HRD No.: **OG 12-0341**

March 13, 2012

Senator Vicente Pangelinan
Chairman
I Mina' trentai Unu Na Liheslaturan Guahan
Committee on Appropriations, Taxation, Public Debt, Banking, Insurance,
Retirement, and Land
324 W. Soledad Ave. Suite 100
Hagatna, Guam 96910

Hafa Adai Senator Pangelinan:

Thank you for the opportunity to comment on Bill 435-31 "Relative to negotiating and procuring Health Insurance services for the government of Guam".

The bill states that the Negotiating Team shall enter into negotiations with **all** Health Insurance Providers submitting a qualified proposal for health insurance coverage for qualified active employees and qualified retirees of the government of Guam." We must state that we are not in favor of the proposed bill and do not see any beneficial impact as a result of this bill.

While the intent of the bill requires the team to negotiate with all Health Insurance Providers submitting a qualified proposal, we are concerned that this will cause further delay in the already lengthy negotiation process, and more importantly, jeopardize the timely signing of a contract, a repeated procurement contract violation. The result of such would leave thousands of government employees, retirees and survivors and their dependents without health insurance coverage. If this were to happen, deductibles would restart at the beginning of the fiscal year with the current carrier. Upon signing of the new contract, not necessarily with the current carrier, deductibles would have to restart again, resulting in a financial impact potentially more costly to our employees, retirees and their families.

This process requires that the procurement regulations are adhered to during the development of the RFP and negotiation process, the formulation of the RFP, the compilation of comments from the eleven negotiation team members, the in-depth review and analysis of each proposal submitted, the determination of which proposals meet the qualifications and are financially stable, the evaluation and ranking of each proposal, the team discussions prior to the negotiations, the negotiation process, development of contract language, review of the proposed contracts and updates thereafter, circulation of the contract for signature between the carrier and the appropriate government agencies, department training on the acquired benefits, open enrollment and the implementation of the benefit year, to name a few.

The development of the RFP and the review of the proposals are independently reviewed by the negotiations committee and the health insurance actuaries. The team of which is comprised of the three separate branches of government, Retirement Fund, retiree representative, a member from the general public, Bureau of Budget and Management Research, DOE, Chairman from Committee on Health,

Chairman from Appropriations and DISID. These team members bring different perspectives to the health insurance negotiations and are passionate with their concerns and are extremely vocal on what is in the best interest of the government as a whole.

In addition to the above mentioned statutory members, the government also procures an actuary to advise the team. The actuary comes from a professional and well respected firm with decades of experience. Parties may not always agree, but the goal is always to protect the best interest of the employees ranging from what is affordable and beneficial.

The government's determination in the last RFP was to issue a contract to one vendor. The issuance of one vendor promoted competition at the onset. Prospective carriers were aware that only one contract will be awarded, and therefore, prompted these carriers to submit at all possible, competitive rates while meeting (or exceeding) the minimum requirements in the RFP. This was proven successful in that the rates for the FY2012 benefit year were reduced. This was a monumental achievement considering the rates have consistently increased in the past years. This alone showed that the hard decisions taken by the administration for FY2012 was proven successful. The intent of bill 435-31 will only unnecessarily prolong the entire process. Again, we must remind the legislature that this process may affect the timely signing of the contract as we have seen in the past years and of which we have tried so hard to correct.

Furthermore, the concept of one carrier is proven more advantageous to the government. However, if we have to negotiate and contract with multiple carriers:

- We can expect higher administrative costs.
- It will be difficult to negotiate with two vendors for the same plan design. Vendors will not provide their best rate if they don't know how many employees will enroll in their plan.
- Carriers will almost certainly require a minimum participation. If the minimum enrollment is not held, carriers may require a re-enrollment. The government cannot guarantee enrollment figures to the carriers.
- Need consolidated disease management information to develop wellness program which is required by law. Having multiple carriers will prove to be a challenge in developing the program.
- Potential adverse selection between vendors which could cause potentially significantly higher rate increases the following year.

Past practice has been that the government negotiated with all the qualified carriers. We must remind the legislature that this method has been **proven to be unsuccessful**. We have seen as many as four carriers being offered to the employees at one time. Negotiations for these carriers were drawn out and lasted months. This does not include the development of the contract language and circulation for signing of the contract. Due to this drawn out process, the health insurance contracts were not signed prior to the beginning of the fiscal year, some even a year later. This was a violation of the procurement process of which has been corrected in recent years. Therefore, we must ask ourselves, are we using our government time and expenses wisely if we were to implement this lengthy process of negotiating with multiple carriers again when past experience proved unsuccessful?

In closing, we are not in support of this bill. Public Law 27-125 (see attached), in which you co-sponsored, established "The Government of Guam Health Insurance Review Committee to conduct a study and make recommendations for providing affordable quality health care to active and retired Government of Guam employees...". This public law appropriated \$150,000 for this study. On January 22, 2007, Lewis & Ellis, Inc. Actuaries & Consultants (see attached study) released their report on the Actuarial Study of the Costs of Health Care for Government of Guam Employees and Retirees. Their analysis indicated that "GovGuam would be better off with fewer benefit offerings (no more than 2) and probably only one carrier". Thus this bill is attempting to go against the advice of the experts this Legislature commissioned for an objective, independent, and comprehensive analysis. It is evident with past practice that the multiple carrier concept **does not work**. The method used in the FY2012 to negotiate with the top rated offeror was proven successful in that rates decreased while benefits expanded. The current requirement for proposals to be reviewed and rated by an 11 member negotiation team was mandated by the Legislature. I am not aware of any valid reason for changing a process that has proven successful and



Office of the Governor of Guam

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Felix Perez Camacho
Governor

Kaleo Scott Moylan
Lieutenant Governor

DEC 03 2004

DEC 03 2004

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DEC 03 2004

The Honorable Vicente C. Pangelinan
Speaker
Mina' Bente Siete Na Liheslaturan Guåhan
155 Hessler Street
Hagåtña, Guam 96910

Dear Mr. Speaker:

Transmitted herewith is Bill No. 351 (COR), "AN ACT TO ESTABLISH THE 'GOVERNMENT OF GUAM HEALTH INSURANCE REVIEW COMMITTEE' TO CONDUCT A STUDY AND MAKE RECOMMENDATIONS FOR PROVIDING AFFORDABLE QUALITY HEALTH CARE TO ACTIVE AND RETIRED GOVERNMENT OF GUAM EMPLOYEES, BY *ADDING* A NEW §4302.1 TO TITLE 4, GUAM CODE ANNOTATED," which I signed into law on December 2, 2004 as **Public Law No. 27-125**.

Sinseru yan Magåhet,

FELIX P. CAMACHO
I Maga'låhen Guåhan
Governor of Guam

Attachment: copy attached of signed bill

cc: The Honorable Tina Rose Muna-Barnes
Senator and Legislative Secretary



Office of the Governor of Guam

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Felix Perez Camacho
Governor

Kaleo Scott Moylan
Lieutenant Governor

DEC 03 2004

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DEC 03 2004

The Honorable Vicente C. Pangelinan
Speaker
Mina' Bente Siete Na Liheslaturan Guåhan
155 Hessler Street
Hagåtña, Guam 96910

Dear Mr. Speaker:

Transmitted herewith is Bill No. 351 (COR), "AN ACT TO ESTABLISH THE 'GOVERNMENT OF GUAM HEALTH INSURANCE REVIEW COMMITTEE' TO CONDUCT A STUDY AND MAKE RECOMMENDATIONS FOR PROVIDING AFFORDABLE QUALITY HEALTH CARE TO ACTIVE AND RETIRED GOVERNMENT OF GUAM EMPLOYEES, BY ADDING A NEW §4302.1 TO TITLE 4, GUAM CODE ANNOTATED," which I signed into law on December 2, 2004 as **Public Law No. 27-125**.

Sinseru yan Magåhet,

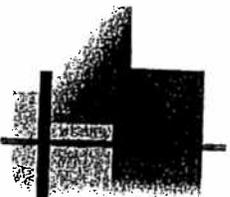
FELIX P. CAMACHO
I Maga'låhen Guåhan
Governor of Guam

Attachment: copy attached of signed bill

cc: The Honorable Tina Rose Muna-Barnes
Senator and Legislative Secretary

Government of Guam

Actuarial Study of the Costs of Health Care



Presentation by

Tom Handley, FSA, MAAA

Lewis & Ellis, Inc.

February 20, 2007

Purpose of the Study

- Study the costs of the health insurance program for GovGuam active employees, retirees, survivors and dependents
- Study the costs of a health insurance program for GovGuam retirees enrolled in Medicare with GovGuam paying some or all of Medicare premium
- General cost factors driving health insurance rates
- Evaluate self funded health plans as an alternative
- Evaluate the Medicaid and MIP programs

Methodology of the Actuarial Study

- Review historical costs of GovGuam health plan
- Compare historical costs to L&E model norms
- Project costs through fiscal year 2008
- Recommend benefit plan changes and/or carrier or benefit option consolidation
- Evaluate changes in retiree benefits or funding
- Evaluate MIP – compare to Medicaid, look at impact of FAS participants
- Evaluate self insurance, administrative savings and fluctuation risks

Sources of Information

- Paid claims from health plans – SelectCare and StayWell (varying levels of detail)
- Exposure, premium and claim data from RFPs for FY05, FY06, FY07
- Claims data for MIP and Medicaid (FY05)
- Interviews with knowledgeable individuals
- Demographic information from the health plans

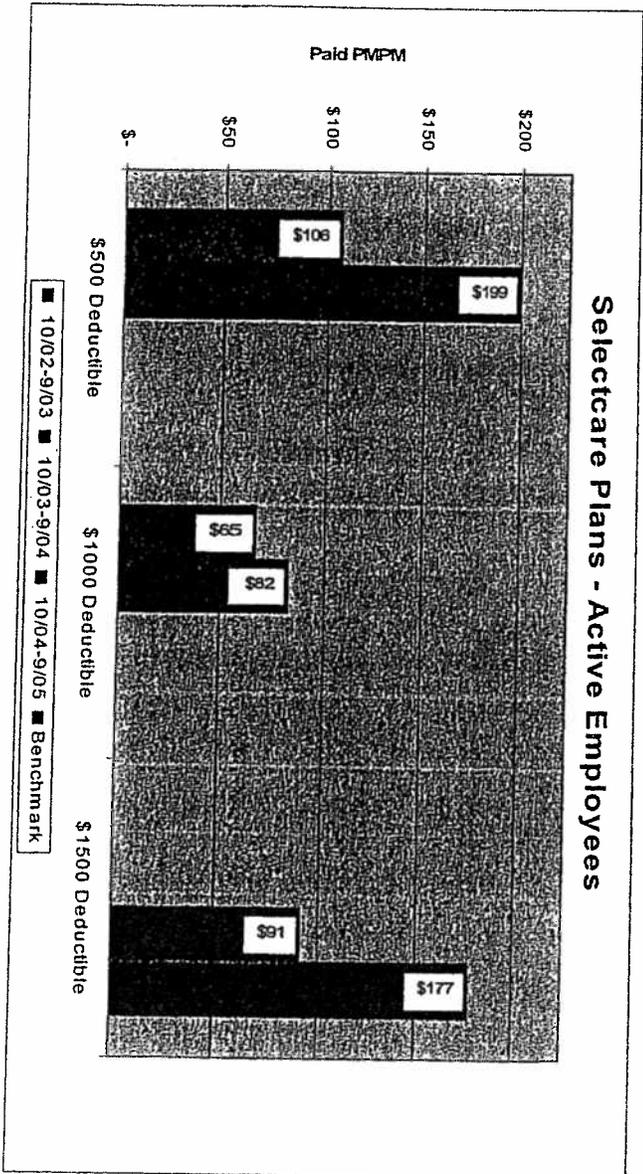
Findings - Demographic

Plan	Active Risk Level	Retiree Risk Level
Benchmark	1.00	1.00
SelectCare 1500	0.86	0.97
StayWell Silver	1.25	2.21
StayWell Bronze 500	0.97	1.83
StayWell Bronze 1000	0.88	1.78

Risk factor represents age and gender risk
 Benchmark represents the average active employee group
 Retiree risk is greater than active – means generally older
 SW Silver has the worst risk from and age and gender standpoint – no surprise

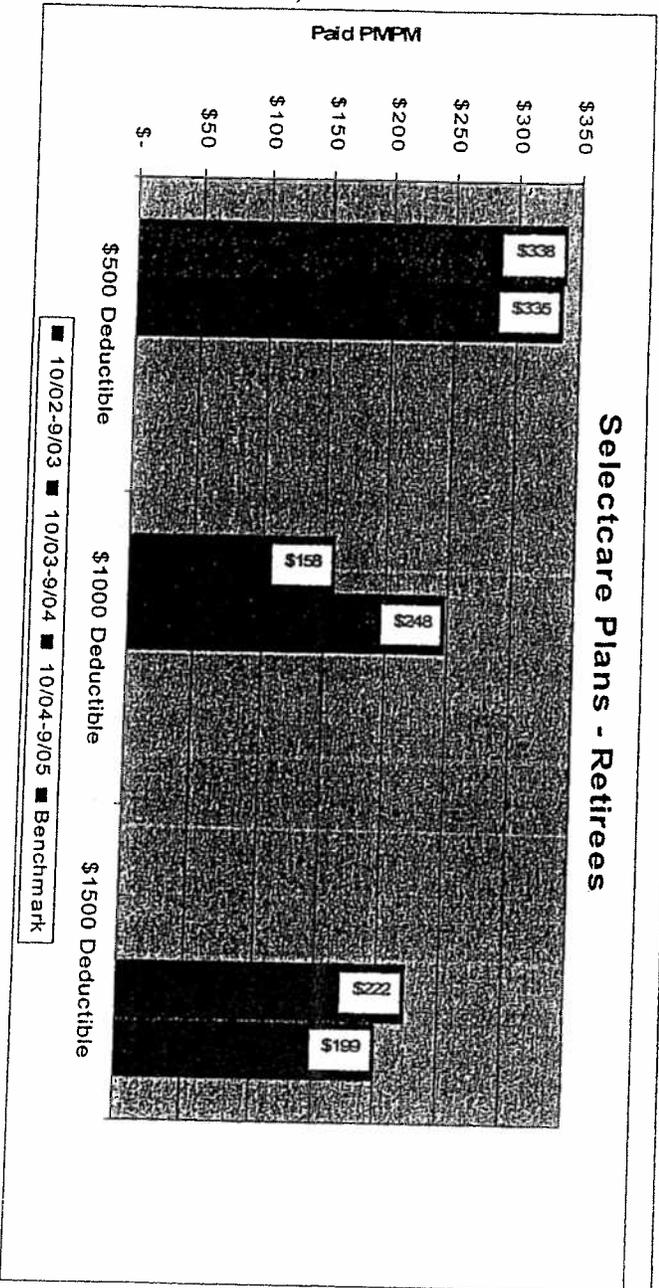
Exhibit 1 – SelectCare Actives

Selectcare Plans - Active Employees



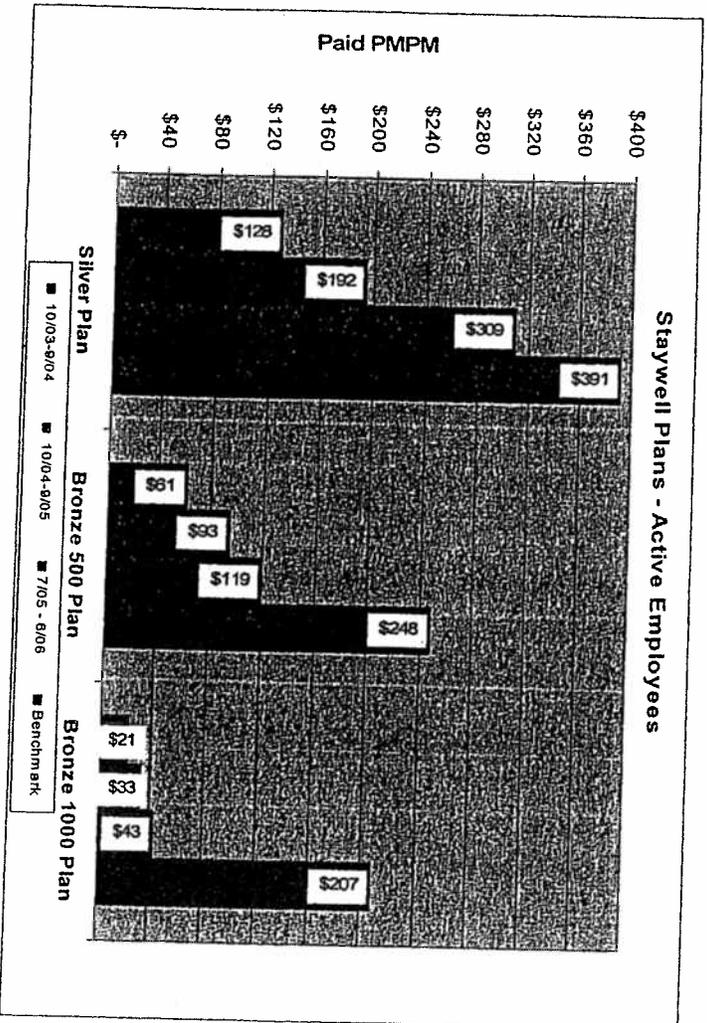
- Increases from FY03 to FY04. \$500 deductible shows affect of plan shifting
- FY05 \$1500 deductible well below benchmark but still high versus \$1000 plan from prior year.

Exhibit 1 – SelectCare Retirees



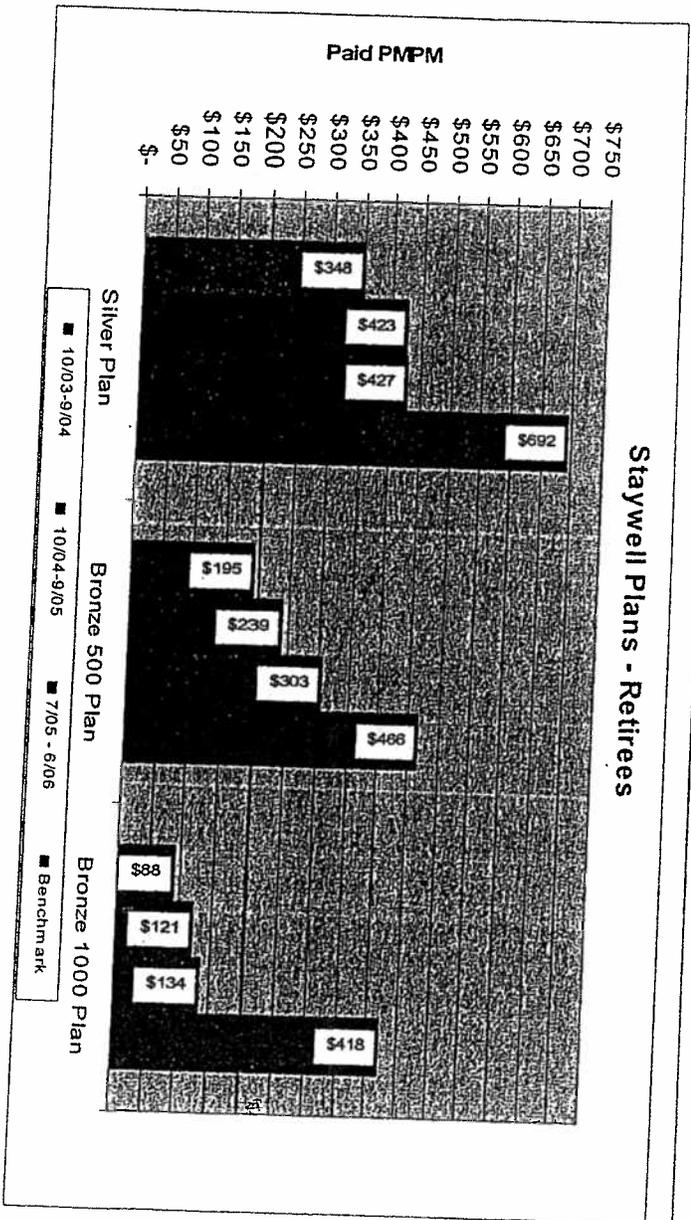
- Increase from FY03 to FY04 for \$1000 deductible shows affect of plan shifting as enrollment doubled with transfers from \$500 deductible
- FY05 \$1500 deductible only plan above benchmark which may reflect plan selection and younger early retirees with higher costs

Exhibit 4 – Stay Well Actives



- Significant increases for all three plans from year to year – much of the increase is due to movement from higher benefit plans to lower benefit plans
- All three plans are well below benchmark, especially the Bronze 1000. Even though Bronze 1000 costs have doubled from FY04 to FY06

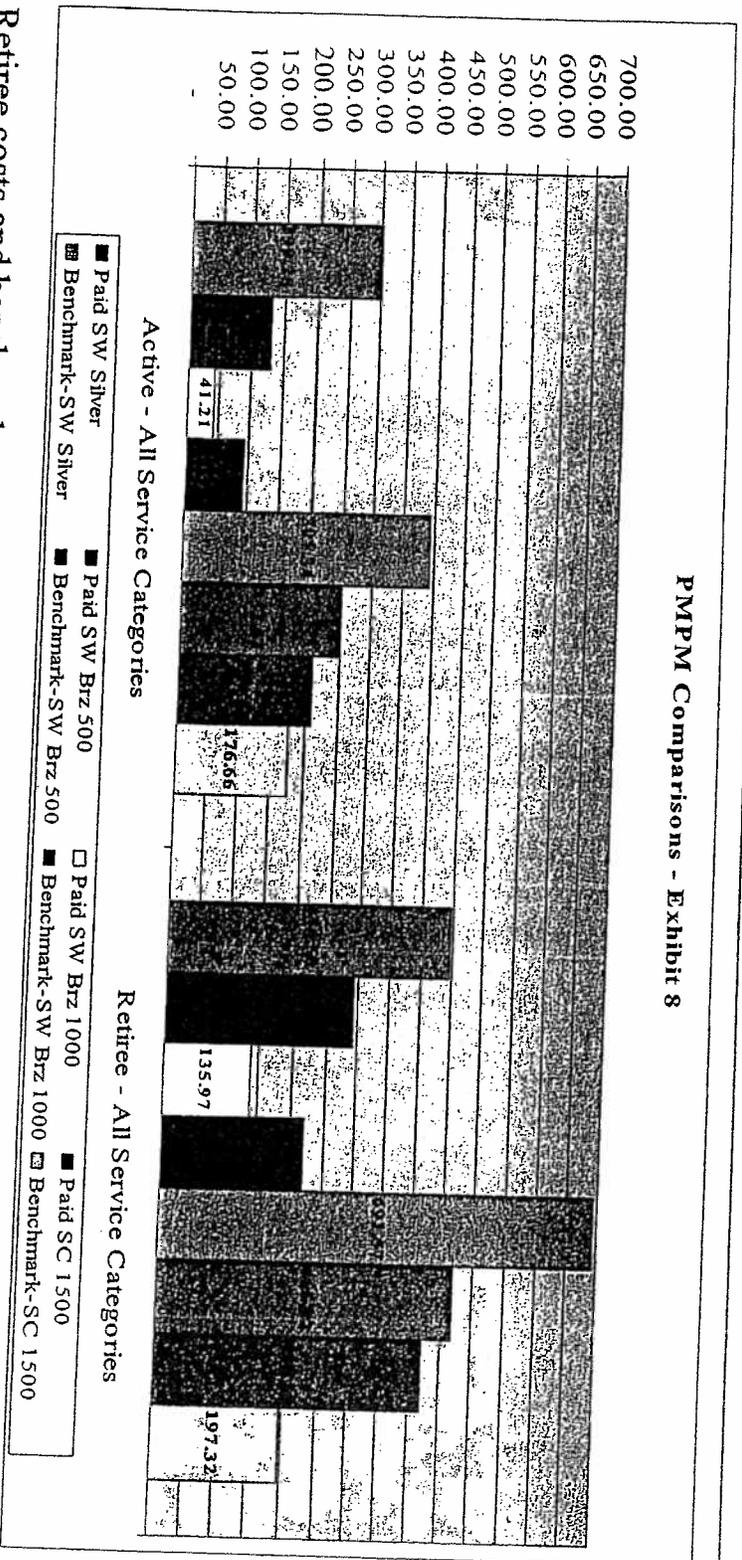
Exhibit 4 – Stay Well Retirees



- Increases for all three plans from year to year – due to movement from higher benefit plans to lower benefit plans. Silver increase less since already at high level of cost
- All three plans are well below benchmark, especially the Bronze 1000. Similar result to actives.

Exhibit 8 – PMPM Comparisons

PMPM Comparisons - Exhibit 8



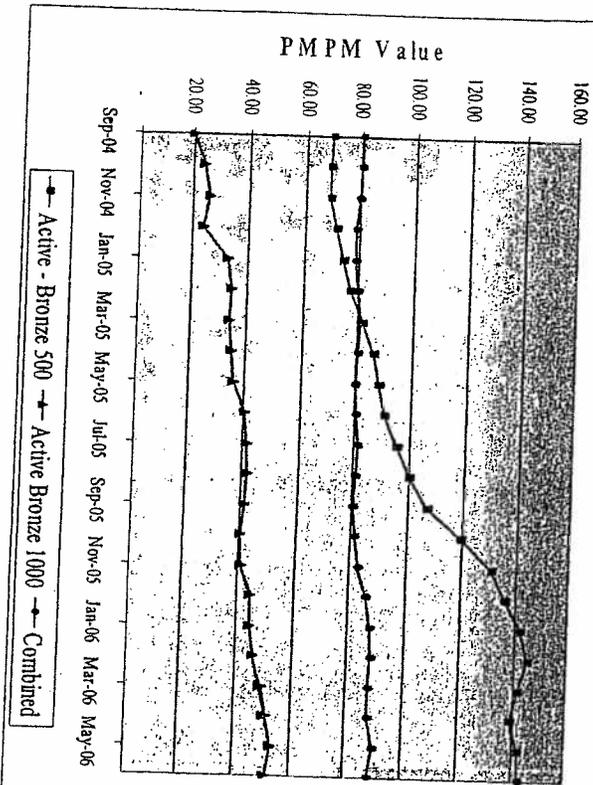
- Retiree costs and benchmarks are roughly 2 times actives except for SC 1500 retiree benchmark which is only 12% higher than active benchmark
- All plans are well below benchmark except for SelectCare 1500 retiree

Plan Analysis and Recommendations

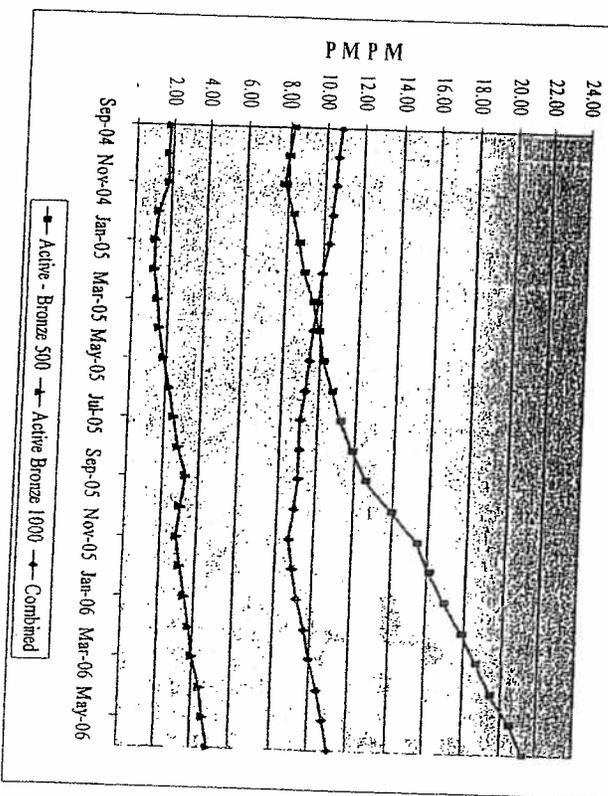
- GovGuam health plan costs are not high relative to L&E norms – roughly 45%
- There were not any plans or categories of service that had costs enough above norms to merit any benefit changes
- The only component that had costs that stood out was the Out of Network (OON) use
- OON costs per unit of service were well above in network and use of services was 15% - 20% of total
- For that reason we recommend changing OON coinsurance from 70% to 60%
- Savings should run 6.1% to 7.8%

Exhibits 9 & 10 – Measured Trends Active

Allowed Medical 12 Mos ending - Exhibit 9



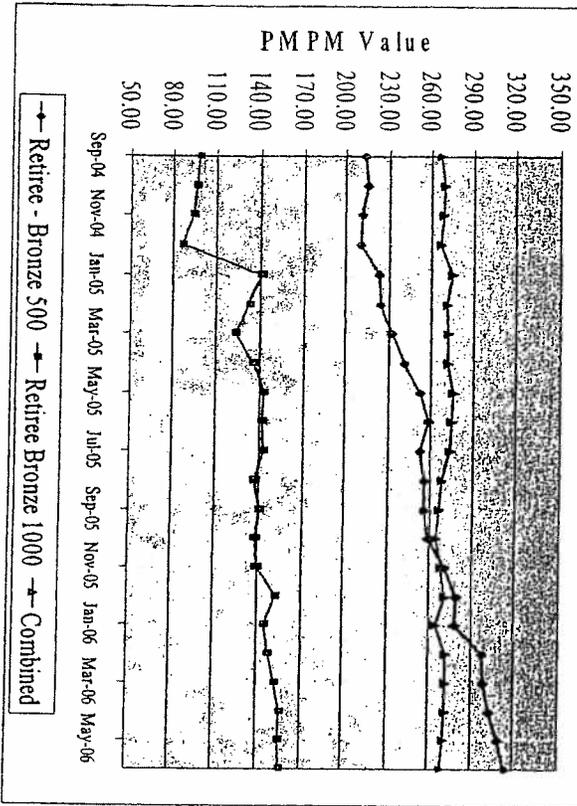
Allowed Rx 12 Mos ending - Exhibit 10



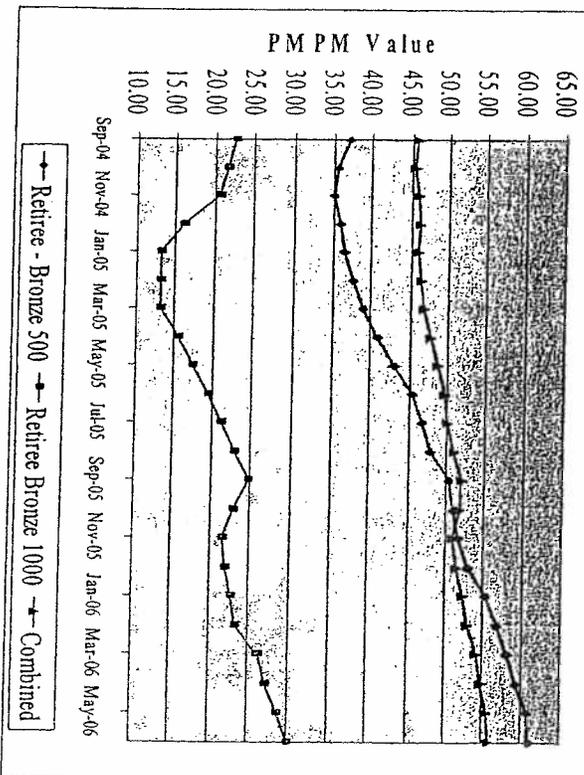
- We are graphing allowed costs so tracking costs before deductibles, coinsurance are applied. Best way to combine and compare plans.
- The combined plan costs have been relatively flat which indicates that overall costs have not increased that much for both medical and prescription drug.
- The Bronze 500 increases reflect the shift to the Bronze 1000 – healthier people left.

Exhibits 11 & 12 – Measured Trends Retiree

Allowed Medical 12 Mos ending - Exhibit 11



Allowed Rx 12 Mos ending - Exhibit 12



- We are graphing allowed costs so tracking costs before deductibles, coinsurance are applied. Best way to combine and compare plans.
- The combined plan costs have been flat for medical but prescription drug has risen steadily which should not be a surprise since this is the retiree group.
- The Bronze 500 increase coincides with the shift of enrollment to the Bronze 1000 plan

Observations - Projections of Health Plan Costs

- StayWell costs have been relatively flat when using allowed costs to measure
- StayWell rates may be too high if less than 90% of Bronze members shift to HDHP.
- SelectCare has varied their pricing significantly – aggressively pricing the lowest benefit and encouraging movement to lower plan.
- SelectCare HDHP 1500 rates may be too low.
- Health plan rates would be more stable and GovGuam could offer a higher benefit plan if there was only one carrier and two benefit plans.

Administrative Expense Savings – Self Funded

Administrative Expenses Stay Well PEPM 72.00

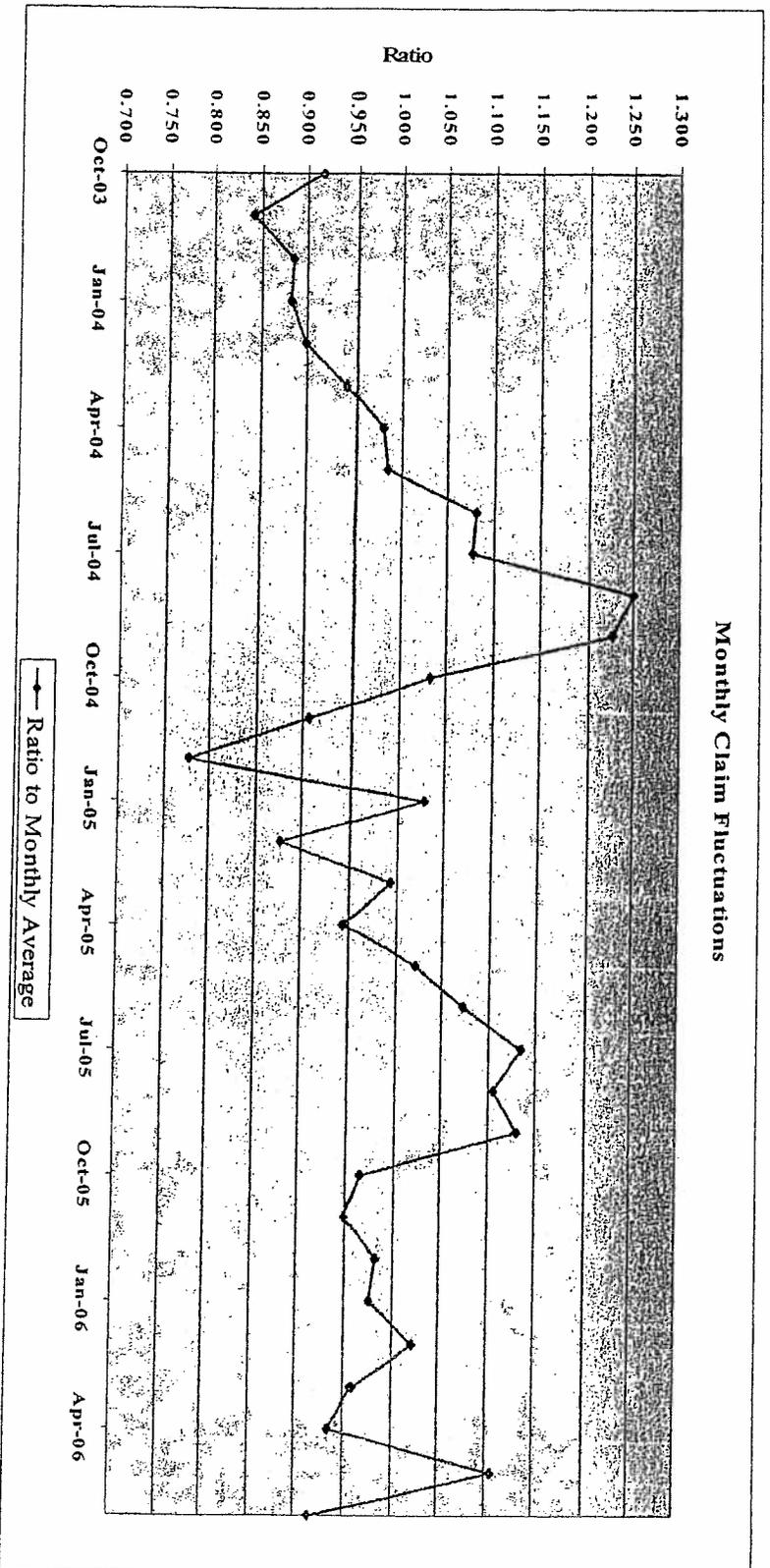
Administrative Expenses SelectCare PEPM 66.50

Projected Admin Fees for Self Funded PEPM 36.00

Potential Annual Savings \$3.877 million

Monthly Cash Flow -- Self Funded

Monthly Claim Fluctuations



Probability < Expected = 39%

Average Fluctuation > Expected = 9.9%

Average Fluctuation < Expected = 7.5%

Retiree Health Costs versus Active Health Costs

- Retiree Claims Paid FY05 PMPM 291.66
- Active Claims Paid FY05 PMPM 98.82
- Ratio Retiree to Active 2.95
- Retiree ratio to L&E Benchmark 0.63
- Active ratio to L&E Benchmark 0.39
- Retiree much poorer risk as measured by higher ratio to Benchmark – should pay greater proportionate share

Savings to Actives – Retiree Pays Higher Premium

Health Plan	Retiree Increase vs Active	Active Decrease
SelectCare	10%	-2.1%
	20%	-4.1%
	30%	-6.2%
Stay Well	10%	-7.3%
	20%	-14.6%
	30%	-21.8%

Medicaid and MIP

- Medicaid FY05 PMPM 71.66
- MIP FY05 PMPM 99.23
- Percent FAS Claims in MIP 23.5%

Recommendations for MIP

- Require coinsurance of 10% or 20%
- Combine with Gov Guam plan in bid process

Summary and Recommendations

- Health care costs well below L&E norms
- Out of network coinsurance to 60%, savings = \$3.0 million
- Simplify offerings – one carrier, two benefit plans
Savings – up to \$5.8 million
- Administrative savings from self funding or one carrier
Savings = \$3.877 million
- Require retirees to contribute more toward premium
Active savings – 2.1% to 21.8% lower premium
- Add 10% coinsurance to MIP, savings = \$1.0 to 1.2 million
- Combine Employee plan and MIP
Savings FY07 = \$1.04 million
Savings FY08 = \$6.29 million



MINA' BENTE SIETE NA LIHESLATURAN GUÅHAN
TWENTY-SEVENTH GUAM LEGISLATURE
155 Hessler Place, Hagåtña, Guam 96910

November 26, 2004

The Honorable Felix P. Camacho
I Maga'lahen Guåhan
Ufisinan I Maga'lahi
Hagåtña, Guam 96910



Dear *Maga'lahi* Camacho:

Transmitted herewith are Bill Nos. 126(COR), 251(COR), 257(LS), 259(LS), 283(COR), 293(COR), 307(COR), 335(COR), 344(LS), 345(LS), 347(LS), 351(COR), 380(COR), 385(COR) & 387(COR), and Substitute Bill Nos. 282(COR), 290(COR), 324(COR) & 353(COR) which were passed by *I Mina' Bente Siete Na Liheslaturan Guåhan* on November 24, 2004.

Sincerely,

TINA ROSE MUNA BARNES
Senator and Legislative Secretary

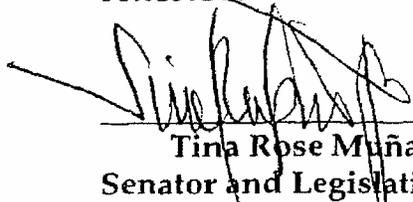
Enclosures (19)

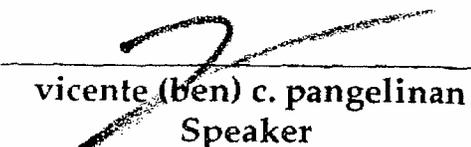
I MINA'BENTE SIETE NA LIHESLATURAN GUÅHAN
2004 (SECOND) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUÅHAN

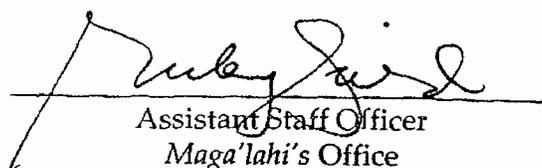
This is to certify that Bill No. 351 (COR), "AN ACT TO ESTABLISH THE 'GOVERNMENT OF GUAM HEALTH INSURANCE REVIEW COMMITTEE' TO CONDUCT A STUDY AND MAKE RECOMMENDATIONS FOR PROVIDING AFFORDABLE QUALITY HEALTH CARE TO ACTIVE AND RETIRED GOVERNMENT OF GUAM EMPLOYEES, BY ADDING A NEW §4302.1 TO TITLE 4, GUAM CODE ANNOTATED," was on the 24th day of November, 2004, duly and regularly passed.

Attested:


Tina Rose Muña Barnes
Senator and Legislative Secretary


vicente (ben) c. pangelinan
Speaker

This Act was received by *I Maga'lahaen Guåhan* this 26th day of November, 2004,
at 5:05 o'clock P.M.


Assistant Staff Officer
Maga'lahaen's Office

APPROVED:

FELIX P. CAMACHO
I Maga'lahaen Guåhan

Date: December 2, 2004

Public Law No. 27-125

I MINA'BENTE SIETE NA LIHESLATURAN GUÁHAN
2004 (SECOND) Regular Session

Bill No. 351 (COR)

As amended by the Committee on Economic Development,
Retirement, Investments, Public Works and Regulatory Functions,
and further amended on the Floor.

Introduced by:

L. A. Leon Guerrero
v. c. pangelinan

Toni Sanford

T. R. Muña Barnes

F. B. Aguon, Jr.

J. M.S. Brown

F. R. Cunliffe

Carmen Fernandez

Mark Forbes

L. F. Kasperbauer

R. Klitzkie

J. A. Lujan

J. M. Quinata

R. J. Respicio

Ray Tenorio

**AN ACT TO ESTABLISH THE "GOVERNMENT OF GUAM
HEALTH INSURANCE REVIEW COMMITTEE" TO
CONDUCT A STUDY AND MAKE RECOMMENDATIONS
FOR PROVIDING AFFORDABLE QUALITY HEALTH
CARE TO ACTIVE AND RETIRED GOVERNMENT OF
GUAM EMPLOYEES, BY ADDING A NEW §4302.1 TO
TITLE 4, GUAM CODE ANNOTATED.**

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1. A new §4302.1 is *added* to Title 4, Guam Code Annotated**

3 **to read:**

1 “(a) **Legislative Findings and Intent.** *I Liheslaturan Guåhan* finds
2 that during these challenging economic times, it is important that we
3 make the most of every opportunity to bring affordable health insurance
4 that will benefit the Government of Guam (“GovGuam”) active
5 employees and retirees. Significant changes have taken place in recent
6 years in the healthcare marketplace that require GovGuam to reevaluate
7 how it can continue to provide affordable and accessible health
8 insurance as part of the overall employee compensation/benefit
9 package.

10 In the past five (5) years, health insurance premiums have been
11 steadily increasing an average of ten percent (10%) every year.
12 According to the Spring 2003 Health Care Trend Survey conducted by
13 Aon Consulting, an average increase of sixteen percent (16%) in costs is
14 expected in 2004. The Office of the Actuary, Centers for Medicare and
15 Medicaid Services in Baltimore, Maryland, and Project HOPE conducted
16 a survey that showed health care spending is expected to outpace
17 economic growth over the next ten (10) years. As a result, the health
18 care “share” of the gross domestic product is expected to climb to nearly
19 twenty percent (20%) by 2013. This all adds up to more costs for
20 everyone. GovGuam, as an employer, is facing soaring premiums. The
21 active employees and retirees are going to pay a greater share of it.
22 Insurance companies have tried to keep the premiums down by shaving
23 off benefits in the form of higher deductibles, and co-payments and
24 premiums continue to rise.

1 *I Liheslaturan Guåhan* finds that a study is needed to make
2 recommendations that will be used as an analysis tool for decision
3 makers, help facilitate data analysis and benchmarking of GovGuam’s
4 health choices.

5 It is therefore, the intent of *I Liheslaturan Guåhan* to establish a
6 Government of Guam Health Insurance Review Committee dedicated to
7 the study of improving the health of GovGuam active employees and
8 retirees by increasing access to affordable, comprehensive and quality
9 health care coverage.

10 **(b) Establishment of the Government of Guam Health**
11 **Insurance Review Committee.** There is hereby established a
12 Government of Guam Health Insurance Review Committee
13 (“Committee”) which shall conduct a study regarding the costs of health
14 care for Government of Guam active employees and retirees. The
15 Committee shall issue, no later than six (6) months from its initial
16 meeting, a written report to the Speaker of *I Liheslaturan Guåhan* and *I*
17 *Maga’lahen Guåhan* which shall include, but *not* be limited to:

- 18 (1) A health insurance program that covers GovGuam retirees
19 alone;
- 20 (2) A health insurance program that covers GovGuam active
21 employees alone;
- 22 (3) A health insurance program that covers GovGuam retirees
23 and active employees;

- 1 (4) A health insurance program that covers GovGuam retirees
2 enrolled in Medicare with GovGuam paying the premium
3 for:
4 a) Medicare Plan A – Hospital Insurance Coverage;
5 b) Medicare Plan B – Supplemental Medical Insurance;
6 c) Medicare Plan A & B;
7 (5) How the relationship between health care providers and
8 carriers is affecting access to and costs of health insurance
9 coverage;
10 (6) General cost factors driving the rising health insurance
11 premium rates for consumers of health insurance in all
12 markets;
13 (7) How to access affordable prescription drugs and what are
14 the general cost factors involved in prescription drug
15 benefits, including, but *not* limited to, co-payments,
16 deductible amounts, out-of-pocket expenses and the use of
17 generic and name brand prescription drugs;
18 (8) Analyze the effectiveness of the insurance regulations and
19 statutes in promoting a healthy, competitive health
20 insurance market that meets the needs of the people of
21 Guam by assessing such things as availability and
22 marketing of individual and group products, rate changes,
23 coverage changes, benefit trends, market share changes and
24 accessibility;

- 1 (9) How self-funded health insurance plans may create an
2 alternative to meet health care needs;
- 3 (10) Strategies to decrease the number of uninsured population;
4 and
- 5 (11) Any other options that the Committee feels will meet
6 sufficient benefits and costs savings for both active
7 employees and retirees.

8 The Committee may invite government, private sector,
9 community entities and individuals to submit reports, provide
10 testimony, data and other information that may assist the Committee to
11 comply with its duties and responsibilities. The Committee is
12 encouraged to create sub-committees as needed.

13 (c) **Composition of the Government of Guam Health**
14 **Insurance Review Committee.** The Committee shall be composed of
15 eleven (11) members as follows:

- 16 (1) The Speaker of *I Liheslaturan Guåhan* or his designee;
- 17 (2) The Director of the Government of Guam Retirement Fund
18 or his designee;
- 19 (3) The Director of the Department of Administration or her
20 designee;
- 21 (4) The Chief Justice of the Supreme Court of Guam or his
22 designee;
- 23 (5) The Director of the Department of Public Health and Social
24 Services or his designee;

- 1 (6) The Director of the Bureau of Budget and Management
2 Research or his designee;
- 3 (7) The Department of Revenue and Taxation Insurance
4 Commissioner or his designee;
- 5 (8) A Government of Guam active employee appointed by *I*
6 *Maga'lahi*;
- 7 (9) A Government of Guam retiree appointed of *I Maga'lahi*;
- 8 (10) An expert in the field of the health insurance industry to be
9 appointed by *I Maga'lahi*; and
- 10 (11) The Administrator of the Guam Memorial Hospital or his
11 designee.

12 The Chairperson of the Committee shall be the Director of the
13 Department of Administration or his or her designee. The Vice
14 Chairperson shall be elected by the Committee at its first meeting. All
15 Committee meetings shall be open to the public as mandated by 5 GCA,
16 Chapter 8, Section 8107.

17 **(d) Term and Vacancy of the Government of Guam Health**
18 **Insurance Review Committee.** The Committee shall be formed and
19 meet no later than forty-five (45) days after the enactment of this Act.
20 The members of the Committee shall serve for the duration of its
21 existence. Any vacancy shall be filled in the same manner as the
22 original appointment or selection, but only for the balance of the term.
23 The Committee members shall serve without compensation. The

1 Committee shall be terminated upon the acceptance of its report by the
2 Speaker of *I Liheslaturan Guåhan* and *I Maga'lahaen Guåhan*.

3 (e) **Support Services.** All Government of Guam agencies and
4 offices shall assist the Committee in the performance of its duties and
5 provide the Committee with appropriate studies, data and other
6 information as requested.

7 (f) **Appropriation.** The sum of *not* more than One Hundred
8 Fifty Thousand Dollars (\$150,000) is hereby appropriated from the
9 General Fund to the Committee for the purpose of hiring an Actuary for
10 this study.

11 The Actuary must possess the qualification of a Fellow Casualty
12 Actuarial Society (FCAS) in good standing with the American Academy
13 of Actuaries and must have provided an actuarial study for any
14 municipal, state or national government and demonstrate that this
15 health plan (s) is currently in place.

16 The Committee shall submit a detailed report of all monies
17 expended to the Speaker of *I Liheslaturan Guåhan* and *I Maga'lahi*. All
18 unexpended monies shall revert back to the General Fund."

19 **Section 2. Severability.** *If* any provision of this Act or its application
20 to any person or circumstances is found to be invalid or contrary to law, such
21 invalidity shall *not* affect other provisions or applications of this Act which
22 can be given effect without the invalid provisions or applications, and to this
23 end the provisions of this Act are severable.

**REPORT ON THE ACTUARIAL STUDY
OF THE COSTS OF HEALTH CARE
FOR GOVERNMENT OF GUAM
EMPLOYEES AND RETIREES**

L&E
**Actuaries &
Consultants**

**REPORT ON THE ACTUARIAL STUDY OF THE COSTS OF HEALTH
CARE FOR GOVERNMENT OF GUAM EMPLOYEES AND RETIREES**

PRESENTED TO

GOVERNMENT OF GUAM HEALTH INSURANCE REVIEW COMMITTEE

Prepared by:

**Lewis & Ellis, Inc.
Actuaries & Consultants**

Overland Park, Kansas

January 22, 2007

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INTRODUCTION

Lewis & Ellis, Inc. was engaged by the Government of Guam Health Insurance Review Committee (the Committee) to conduct an actuarial study of the costs of health care for government of Guam employees and retirees including respective dependents and survivors.

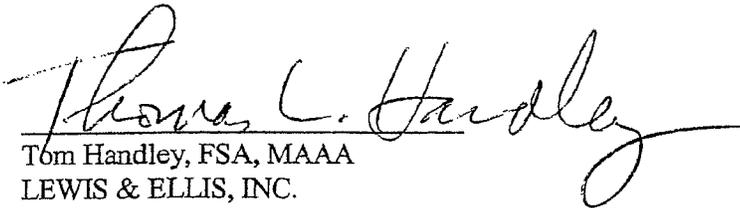
Our study was to:

- 1) Study the costs of a health insurance program that covers GovGuam retirees and survivors and their dependents;
- 2) Study the costs of a health insurance program that covers GovGuam active employees and their dependents;
- 3) Study the costs of a health insurance program that covers GovGuam active employees, retirees and survivors and their dependents;
- 4) Study the costs of a health insurance program that covers GovGuam retirees enrolled in Medicare with GovGuam paying the premium for;
 - a) Medicare Plan A
 - b) Medicare Plan B
 - c) Medicare Plan A & B
- 5) How the relationship between health care providers and carriers are affecting access to and costs of health insurance coverage;
- 6) General costs factors driving the rising health insurance rates for consumers of health insurance coverage;
- 7) How to access affordable prescription drugs and what are the general cost factors involved in prescription drug benefits, including, but not limited to, co-payments, deductible amounts, out-of-pocket expenses and the use of generic and name brand drugs;
- 8) The effectiveness of the insurance regulations and statutes in promoting a competitive health insurance market that meets the needs of the people of Guam by assessing such things as availability and marketing of individual and group products, rate changes, coverage changes, benefits trends, market share changes and accessibility;
- 9) How self funded health insurance plans may create an alternative to meet health care needs;
- 10) Strategies to decrease the number of uninsured population; and
- 11) Any other options that the actuary feels will meet sufficient benefits and costs savings for both active employees and retirees.

This report presents our findings and describes the methodology used in our study. This report has been prepared in conformity with consideration of appropriate actuarial standards of practice for the express purpose to which it was intended. Judgments made as to the assumptions, data, methodologies, results and recommendations found in the report should only be made after careful consideration of the report in its entirety.

Our conclusions are based on information supplied by GovGuam department of administration, the two health insurance carriers (StayWell and SelectCare), and interviews with key persons involved with health care and health insurance in Guam. Additional information was also collected from accessing public information available via the internet. If any information was inaccurate, it may require us to revise our conclusions and opinions.

Lewis & Ellis, Inc. is available to answer any questions that may be raised by this report. Please direct any inquiries to Tom Handley in our Overland Park office.

By: 
Tom Handley, FSA, MAAA
LEWIS & ELLIS, INC.
Actuaries & Consultants
10561 Barkley, Suite 470
Overland Park, KS 66212
Telephone: (913) 491-3388
THandley@LewisEllis.com

January 22, 2007

EXECUTIVE SUMMARY

Our key observations and recommendations are identified below. The order will follow the order of analysis in the report. We were not able to provide as much detailed analysis as we would have preferred on your health plans because the detail was not provided by the carriers. I will be commenting on some issues that were not necessarily part of the initial scope of the project but do have a direct impact on GovGuam ability to fund their employee health plans. When we refer to norms or benchmarks we are referring to norms developed using the L&E Health Care Cost Model adjusted to the specific demographics and benefit plan being evaluated and compared.

1. The demographic mix by benefit plan followed expected patterns. Those plans with the lowest benefit level had the lowest risk factor (0.86 for SelectCare 1500 and 0.88 for StayWell Bronze 1000). The retiree demographic risk generally ran two times the active risk.
2. The per member per month (PMPM) costs were well below expected L&E norms for all memberships except SelectCare retirees. Excessive costs and utilization are not a problem, at least as measured against L&E norms.

There are some benefit plan changes we would recommend to get your plans more in line with the plans being offered on the mainland. We would recommend changing the out of network coinsurance to 60% rather than 70%. You are not getting the kind of in network use you should be getting. Differences of 20% or more are more common.

Savings for the lower out of network coinsurance (6.5% of premium) = \$3.0 million

3. Because of new plan offerings and pricing strategy changes, GovGuam plans have had significant plan shifting and resultant overall cost distortions. The plan with the highest deductible has generally been more competitively priced and as a result enrollment has shifted to that plan. Those members staying with the richer benefit plan end up paying much more as rates have been adjusted assuming plan shifting and adverse risk selection.

We have analyzed both StayWell and SelectCare and have compared our projected costs and premium to the premium rates effective for FY2007. Our analysis of the FY2007 rates indicates that those rates may be too low which could result in higher rate increases for FY2008. The carriers under priced the lower benefit plans in an attempt to get more enrollment which is consistent with prior fiscal years.

Our analysis indicates that GovGuam would be better off with fewer benefit offerings (no more than two) and probably only one carrier. That way the carrier would have 100% of the risk and could price benefit options with differences more consistent with actuarial assumptions and not distorted by selection. Rate changes year to year would be more stable as well.

Annual savings with one carrier-two benefit plans (FY07) – up to \$5.8 million

4. Gov Guam would save a significant amount in administrative expense should they decide to self fund. Current carrier loadings for administration, profit and commission are well above industry norms for this size employer. Claims expense would probably be the same long term for fully insured versus self funded. The timing of claim payments-premium increases would be the difference. Self funding does require an employer with capacity to handle fluctuations month to month. Also, in a self funded environment, the administrator would typically provide greater claims detail than GovGuam currently gets and allow you to better manage costs.

Annual savings are estimated to be \$3.877 million.

5. Retirees enjoy a significant subsidy from the actives for their health costs. Their costs are 2.5 to 3 times greater than actives. We strongly encourage charging retirees a more proportionate share of the costs. Exhibit 18 displays the impact to active rates should retirees be charged a more proportionate share of the cost. We also recommend requiring retirees under the age of 65 pay a higher share of the premium.

Increase retiree rates 10% - 30% Active rates decreased 2.1% to 21.8%
The amount of active decrease is dependent on retiree increase and carrier.

6. Our review of MIP and Medicaid indicates that Guam costs are below mainland level norms. This puts savings when converting to a managed care plan at the lower end of the range of savings – probably 5%. This could take up to a year to find the right managed care plan and get them qualified.

Potential savings \$1.866 million

7. We would recommend introducing coinsurance (10%) to MIP since the members qualifying for this have more income than Medicaid members. This would also make it less appealing to low income workers who decline employer provided coverage because MIP has better benefits and is cheaper.

Annual savings for the 10% coinsurance = \$1.0 to \$1.2 million.

8. Final recommendation is to offer the employee health plan and MIP to one carrier. Have interested carriers bid on both programs. There should be considerable administrative savings and lower risk charges since one carrier will have both the employee plan and MIP. Should also provide more leverage with providers when negotiating fees. Exhibit 22 displays the calculations and estimated savings. Projected FY07 savings are lower since we believe FY07 premiums are too low.

FY 2007 savings \$1.04 million
FY 2008 savings \$6.29 million

BACKGROUND

Historically, the health insurance benefits and rates for GovGuam have been determined using a competitive bidding process and follow up negotiation with the highest scoring carriers (bidders). This process has been used each year. The last few years have had two carriers bid and they each are providing three benefit plan options. Coverage is provided to active employees, retirees and the dependents of each.

Other health insurance programs sponsored by the government of Guam include Medicaid (jointly funded by the federal government and Guam) and the Medically Indigent Program (MIP) which is fully funded by GovGuam.

GENERAL DESCRIPTION OF STUDY METHODOLOGY

Sources of Information

The study focused on three sources of information regarding health care and health insurance in Guam and for GovGuam employees and retirees. These sources are as follows.

1. Historical claim data from the carriers – StayWell and SelectCare. Data from StayWell covered the period Oct 2003 through June 2006. Data from SelectCare was from Oct 2001 primarily through Sep 2005. We did have summary data through May 2006. We also obtained their data responses provided as part of the RFP for the last two years.
2. Research on public websites, which included the following:
 - a) Guam Memorial Hospital Authority website,
 - b) CMS website,
 - c) Guam Pacific Daily News website,
 - d) KUAM website,
 - e) GFT Union website,
 - f) Guam Chamber of Commerce website,
 - g) Kaiser Family Foundation website,
 - h) US Census Bureau,
 - i) American Hospital Association (AHA) Hospital Statistics and
 - j) National Center for Health Statistics.
3. Interviews with knowledgeable Guam individuals. Those individuals include the following:
 - Guam Memorial Hospital Authority – PeterJohn Camacho, Rey Vega and Wilfred Aflague

- Health Insurance Review Committee - (two meetings, one at beginning of interviews and one at end of interviews)
- SelectCare – Frank Campillo
- Guam Chamber of Commerce – Eloise Baza, Mike Benito
- StayWell – Maria Taitano and three other StayWell employees
- NetCare – Troy Moylan, Jerry Crisostomo
- Guam Federation of Teachers – Matt Rector
- Department of Public Health – Theresa Arcangel
- Pacific Daily News – Rindaty Celes Limtiaco
- Bank of Guam – Lourdes A. Leon Guerrero (former senator)
- Retirement Fund – Paula Blas

We also tried to schedule a representative of the Guam Medical Society but they did not seem interested in meeting with me. I did appreciate the time and knowledge that each of these persons was able and willing to share with me. Subsequent to the interviews I received additional information on Medicaid and MIP health claim costs, the Guam 2004 Statistical Yearbook and other GovGuam and GMHA financial information.

Steps in the Analysis

1. Compare historical GovGuam health care costs to Lewis & Ellis (L&E) norms adjusted for the demographics, area and benefit plans in force. This will be done separately for StayWell and SelectCare.
2. Identify any categories of service where costs are significantly different from L&E norms.
3. Recommend benefit changes, reimbursement changes or utilization management controls that address areas not consistent with L&E norms.
4. Use the historical claim costs per member per month (PMPM) to project GovGuam health costs through fiscal year 2008. This will assume no change in benefit plans, enrollment or eligibility.
5. Evaluate changes in retiree health care benefits and funding. This will include shifting retirees to Medicare and requiring retirees to pay a share of health care costs more proportionate to their level of risk.
6. Evaluate consolidating from two carriers to one and reducing the number of benefit plan options from six to two or three.
7. Evaluate self insurance of GovGuam health plan. Identify savings from administrative expenses, cash flow for first year only, additional risk to GovGuam and funding of claim reserves and cash flow fluctuations month to month.
8. Evaluate MIP. Compare MIP costs to Medicaid costs; determine impact of FAS vs. Guam participants; look at benefit changes to MIP, especially for higher income persons; evaluate transfer of MIP to a private carrier (possibly in conjunction with moving from two carriers

to one carrier for GovGuam employees). Explore options for other funding sources for FAS participants.

9. Evaluate performance of GMHA versus other hospitals from AHA Hospital Statistics. Look at levels of efficiency; expense to revenue; levels of discount and writeoffs. Discuss possibility of using private management company for GMHA or even selling it.

EVALUATION OF HEALTH PLAN DATA

INFORMATION REVIEWED

To complete the review of the government of Guam health plan, Lewis & Ellis reviewed the following information:

- StayWell Claim Data by Category of Service and Plan (Active and Retiree)
 - Paid Claims by Month
 - October 2003 through June 2006
- SelectCare Claim Data by Category of Service and Plan (Active and Retiree)
 - Billed Charges, Allowed Charges, Paid by Plan, Paid by Employee and Claim Counts
 - Fiscal Year Summary - October 2001 through September 2005
- Exposure, Premium and Claim data from RFP (FY05, FY06, and FY07)
- StayWell – extensive enrollment data (employees and lives) including enrollment by age and gender.
- SelectCare – minimal enrollment data
- SelectCare – claim triangle for all plans combined
- SelectCare – Aon renewal data

METHODOLOGY

As part of the analysis of the group health plan, Lewis & Ellis reviewed the claim experience for the period of October 2004 through September 2005 for each plan: StayWell Silver, StayWell Bronze 500, StayWell Bronze 1000, and SelectCare 1500. The review consisted of the claim cost per member per month (PMPM) by type of service compared to an industry benchmark. The claim costs were calculated for Active employees only, Retiree employees only and Active and Retiree employees combined.

Claim analysis by type of service includes four major categories of service: Inpatient Hospital, Outpatient Hospital, Physician and Prescription Drug. (Data for the StayWell plans was not separated between inpatient and outpatient hospital services.) Each of these types of service has been benchmarked to an industry norm. To construct the benchmark norms, Lewis & Ellis calculated the expected claim costs under each plan using the Lewis & Ellis pricing model. The pricing model uses the state of Hawaii average utilization, charges, and discount assumptions for calendar year 2006. However, because hospital charges are higher in Guam, average Guam hospital charges were used for Benchmark purposes. The Hawaii benchmarks include all commercial business (which includes all fully-insured health plans and all sizes of groups). The benchmarks are determined separately for HMO and PPO plans. Finally, each plan was further adjusted to account for the demographic differences under each plan. For example, because the

Retiree plans have a higher percentage of older members, the expected claim costs have been adjusted upward to account for the anticipated higher utilization.

FINDINGS

Demographics

For each of the plans, Lewis & Ellis analyzed the demographics. This analysis not only consisted of the employees but also the covered dependents. Because the expected claim cost for a child is much lower than the expected claim cost for an adult, it is important to consider all members within the plan and not just the employees. We compared the demographics of each plan to a benchmark demographic that represents a standard insured population. The expected risk level of each plan compared to the benchmark is displayed below. For the StayWell plan, comprehensive demographic data was provided for all members. However, the SelectCare data did not include demographic data for members (just employees). As such, Lewis & Ellis estimated the spouse and child demographics based on the demographics of the StayWell Bronze 1000 plan.

<u>Plan</u>	<u>Active Level of Risk</u>	<u>Retiree Level of Risk</u>
Benchmark	1.000	1.000
SelectCare 1500	0.860	0.970
StayWell Silver	1.250	2.210
StayWell Bronze 500	0.970	1.830
StayWell Bronze 1000	0.880	1.780

What do the above factors mean?

Benchmark is a standard insured population, i.e., the average group so factor is 1.00.

SelectCare 1500 Active is 0.86, which means active employees and dependents are expected to cost 14% less than the standard population.

SelectCare 1500 Retiree is 0.97, which means retired employees and dependents are expected to cost 3% less than the standard population. Very unusual to have retired less than standard.

StayWell Silver Active is 1.25, which means active employees and dependents are expected to cost 25% more than the standard population.

StayWell Silver Retiree is 2.21, which means retired employees and dependents are expected to cost 121% more than the standard population.

The other plans follow the same interpretation as described above. Based on the demographics, the lowest expected cost population is the SelectCare 1500 Active and highest expected cost population is StayWell Silver Retiree.

In the sections below we will be comparing the different benefit plans to benchmarks based on the L&E Health Care Model adjusted for demographics, benefit plans and area. Our remarks will be brief as we will let the exhibits-graphs speak for themselves.

SELECTCARE PLANS

Exhibit 1 is split into Active and Retiree graphs and each shows the total cost (medical and Rx) for multiple plans and periods.

Active Employees. Large increases from FY03 to FY04 for both plans, \$500 deductible and \$1000 deductible. Especially large increase for the \$500 plan as most of enrollment shifted to the \$1000 plan. The FY05 costs for the \$1500 Plan still high versus \$1000 plan from year before even though they are still well below benchmark.

Retirees. Large increase from FY03 to FY04 for the \$1000 deductible. The \$500 Plan for FY04 stayed at the same high level as in FY03. The Retiree \$1500 Plan is only one where actual cost is greater than benchmark. This may be due to adverse member selection. This plan had younger early retirees and they apparently have higher medical costs.

Exhibits 2 and 3 show Active and Retiree costs separate and compare the key categories of service to the L&E Benchmark. The costs and benchmarks are for the FY05 period and the \$1500 Plan.

Very simply, all the Active costs are below L&E Benchmarks and all the Retiree costs are above Benchmarks except for inpatient hospital. With most of the retiree categories above Benchmarks, we could argue for charging the retirees a higher rate so that they pay their proportionate share.

STAYWELL PLANS

We analyzed each of the StayWell plans as they have all been inforce for three plus years. The comparisons are in Exhibits 4 through 7.

Exhibit 4 is split into Active and Retiree graphs and each shows the total cost (medical and Rx) for multiple plans and periods and compares to Benchmark for the most recent period (12 months ending June 06).

Active Employees. Large increases from year to year for all three plans. The Silver plan has increased the most and is also highest when comparing actual to Benchmark in the final period. This graph clearly shows the impact of movement between the plans and the impact of member selection. The table below also shows the actual member count (actives and dependents) at the end of each of the measurement periods.

Month-Year	Silver Plan	Bronze 500 Plan	Bronze 1000 Plan
Sep-04	3,960	8,897	1,293
Sep-05	880	4,532	8,785
Jun-06	352	2,951	7,422

As enrollment decreased, costs increased at a much greater than normal rate. Shifting from plan to plan had an impact as well. Bronze 1000 increased almost 60% from FY 04 to FY05 as it absorbed the members from Silver and/or Bronze 500.

Retirees. Large increases from year to year for all three plans. The Silver plan has increased the least which is probably due to the fact that the costs were already high and could only go up so much more. This graph clearly shows the impact of movement between the plans and the impact of member selection. The table below also shows the actual member count (retirees and dependents) at the end of each of the measurement periods.

Month-Year	Silver Plan	Bronze 500 Plan	Bronze 1000 Plan
Sep-04	2,596	2,087	182
Sep-05	1,236	2,038	1,347
Jun-06	595	1,993	1,733

As enrollment decreased, costs increased at a much greater than normal rate. Shifting from plan to plan had an impact as well. The two richer plans (Silver and Bronze 1000) had higher ratios to Benchmark which indicates selection by benefit plan.

In each of the next 3 exhibits we look at each benefit plan separately and compare the costs for the most recent period (12 months ending June 2006) to L&E Benchmark.

StayWell Silver Plan – Exhibit 5

For all service categories, Paid was less than Benchmark. Use of physician services was closest to Benchmark. Since all categories are less than Benchmark, we can conclude that there are no major utilization issues.

StayWell Bronze 500 Plan – Exhibit 6

For all service categories, Paid was less than Benchmark. Use of physician services was closest to Benchmark. Since all categories are less than Benchmark, we can conclude that there are no major utilization issues.

StayWell Bronze 1000 Plan – Exhibit 7

For all service categories, Paid was well below Benchmark. Use of physician services was closest to Benchmark. Since all categories are less than Benchmark, we can conclude that there are no major utilization issues.

Generally, Retiree ratios to Benchmark were greater than Actives. The Silver plan was an exception with regards to hospital and physician services. Another point that can be used in the argument for charging Retirees more than Actives.

One last exhibit is provided in this section.

PMPM Comparisons – Exhibit 8

This compares the All Service Category PMPM Paid and Benchmark values for the four benefit plans and for actives versus retirees. Seeing them side by side provides a perspective of the plans to one another as well as to Benchmark norms. There seems to be consistency from Plan to Plan for active as well as retiree with the exception of the StayWell Bronze 1000 plan – it seems to be performing better than the others when using ratio to Benchmark as the measurement.

We also compared GovGuam active employee medical costs on a per employee per month (PEPM) basis to the Kaiser Survey. We normalized the GovGuam values to a standard population (level of risk factor of 1.00) and to a \$500 Deductible plan (average for Kaiser study). The PEPM weighted average for all GovGuam plans (StayWell and SelectCare weighted by employee distribution) was \$215.79. The Kaiser PEPM value for the same period and \$500 Deductible PPO plan was \$624.81. The ratio of Guam values to Kaiser “norm” is 34.5%. This is very similar to the ratio to the L&E norms.

This demonstrates that medical costs in Guam are not high relative to mainland U.S. norms. The ratio to norms is lower than what might be expected. Those employees with higher costs may have opted out of the GovGuam program and used the MIP or a spouse’s plan because of the better benefits. The higher deductibles in the GovGuam programs have been an effective deterrent.

Only paid claim data was provided for the StayWell plans. Additional detail, such as number of units of service or allowed charges, was not furnished. Therefore, Lewis & Ellis could not analyze charges per unit or utilization statistics and thus we will not be able to provide recommendations relative to those statistics.

BENEFIT PLAN RECOMMENDATIONS

There was only one plan with PMPM costs greater than Benchmark norms and that was the SelectCare 1500 plan. The types of service with PMPM greater than norms were physician and prescription drug. This occurred in the retiree population only. We are not recommending any benefit changes specific to these services at this time.

All plans (StayWell and SelectCare) had in network coinsurance at 80% and out of network coinsurance at 70%. We believe that this is not enough of a difference and that out of network should be at the lower level of 60%. We did have data from SelectCare that identified network versus out of network use. Exhibit 21 has 4 graphs with pertinent information on out-of-network use and costs. The first graph shows the percent of out of network (OON) use by service count for the fiscal years ending in 2002 through 2005. While it varies by year and type of service, it has averaged 15% to 20% for the 4 years. The next three graphs show allowed per service for the three major classes of service – Outpatient and ER (OP and ER), Inpatient and Physician. For all 4 years and all three service types, the allowed cost per service for OON was much greater than in network. This makes a strong argument for encouraging more in network use and its lower cost.

Changing to 60% out of network will result in greater in network use and we estimate the savings as follows.

SelectCare HDHP 1500	Savings = 6.1%
StayWell Bronze 1000	Savings = 6.5%
StayWell Silver	Savings = 7.8%

PROJECTION OF GOVGUAM HEALTH COSTS

Plan Shifting

Selectcare provided claim data that allowed Lewis & Ellis to review the Charges PMPM, Allowed PMPM (cost after provider discounts but before plan deductibles, coinsurance and copays are applied) and Paid PMPM claim costs. We reviewed these costs separately for Actives and Retirees by plan for the 500 Deductible and 1000 Deductible plans. In our analysis, we found that plan shifting has had a prominent impact on the claims costs. This is also very apparent in all the Exhibits in the prior discussion.

In the example shown below, an 86% premium increase on the \$500 deductible plan resulted in a massive enrollment shift. (The costs below are exclusive of prescription drugs.)

Time Period	Plan	Member Months	Allowed Claim Cost PMPM	Shift	Time Period	Plan	Member Months	Allowed Claim Cost PMPM
10/02 - 09/03	500 Deductible	30,799	\$ 132.21		10/03 - 09/04	500 Deductible	6,561	\$ 260.08
10/02 - 09/03	1000 Deductible	13,692	\$ 75.49		10/03 - 09/04	1000 Deductible	31,319	\$ 94.65

The resulting enrollment shift above caused the allowed claim cost PMPM to increase over trend. The additional increase in claim costs is the impact of "adverse plan selection". In the example shown above, the insureds that shifted from the \$500 deductible plan to the \$1000 deductible plan had allowed claim costs (132.21) that were much higher than original insureds on the \$1000 deductible plan (75.49). Only 20% of the membership in the \$500 Deductible Plan remained and they were the higher risk persons since the claim costs increased from \$132.21 to \$260.08 in the one year. This is much greater than a typical medical trend. The \$500 Deductible membership that shifted to the \$1000 Plan caused its costs to increase to a level much greater than projected by typical trends. The algebraic equation below shows the claim costs PMPM for the insureds that shifted from the \$500 deductible plan. The resulting enrollment the next year would be 45% from the \$1000 plan and 55% from the \$500 plan.

10/02 - 09/03				Shifted Enrollment		10/03 - 09/04
\$1,000 Deductible	Medical Trend	% of Enrollment Shifted from	\$500 Deductible	% of Enrollment Shifted from	\$1,000 Deductible	
Allowed Claim Costs PMPM	8% per Year	\$1,000 Deductible	Allowed Claims Costs	\$500 Deductible	Allowed Claim Costs PMPM	
(\$75.49	* 1.08	* 0.45)	+ Unknown	* 0.55	=	\$94.65
			Unknown	=		\$105.39 PMPM

In summary, the insureds originally on the \$500 deductible plan that shifted to the \$1000 deductible plan experienced allowed claim costs that were 40% above the original \$1000 deductible insureds. (See below: $105.39 / 75.49 = 1.40$)

\$1,000 Deductible Allowed Claims Costs	\$500 Deductible Allowed Claims Costs	Blended \$1,000 Deductible Allowed Claims Costs
\$ 75.49	\$ 105.39	\$ 94.65

We went through this exercise to demonstrate the impact of the shifting and plan selection that has occurred and to measure what your real medical trends are.

Measured Trend and Projected Costs

To find the underlying medical and pharmacy trends, Lewis & Ellis reviewed the data for each carrier. Because of enrollment shifting causing significant claim cost shifts, we analyzed the Allowed Claim Cost PMPM. The Allowed claim dollars represent the claim dollars charged less any discounts by providers. Allowed claim dollars is the only way to combine different benefit plans and not get results distorted by the impact of deductibles, coinsurance, etc.

I. StayWell Analysis

The StayWell data could be analyzed by benefit plan as the three plans - Silver, Bronze 500 and Bronze 1000 - were offered through September 2006. Exhibits 9 and 10 display the trends for Active Allowed medical and prescription drug (Rx) costs graphically using a rolling 12 months methodology. We removed the line for the Silver plan due to the rapidly declining enrollment. It is included in the TOTAL line. Exhibits 11 and 12 are for the Retirees. While both Bronze plans experienced rates of increase, the Combined Allowed costs (all 3 plans) has been relatively flat.

If we look at the data table in Exhibit 13A (source for the Active graphs), I have calculated two increases for actives only.

IF all three plans had remained in force through FY 2007

Projected medical and Rx claims PMPM	\$ 98.21
Projected Premium PMPM	\$ 125.91

If only one plan Bronze 1000 had been in force through FY 2007

Projected medical and Rx claims PMPM	\$ 85.17
Projected Premium PMPM	\$ 109.19
Premium savings PMPM	\$ 16.72
Annual savings (uses 10,725 members)	\$ 2,152,328

If we look at the data table in Exhibit 13R (source for the Retiree graphs), I have calculated two increases for retirees only.

If all three plans had remained in force through FY 2007

Projected medical and Rx claims PMPM	\$ 307.29
Projected Premium PMPM	\$ 393.96

If only one plan Bronze 1000 had been in force through FY 2007

Projected medical and Rx claims PMPM	\$ 251.97
Projected Premium PMPM	\$ 323.04
Premium savings PMPM	\$ 70.92
Annual savings (uses 4,321 members)	\$ 3,677,287

GovGuam would have been better off with only one plan – Bronze 1000.

The scenario described above projects what might have happened if GovGuam had maintained only one StayWell benefit plan – Bronze 1000 – both past and into the future. We believe that this clearly demonstrates what happens when multiple plans are offered and employees are allowed to shift between plans.

Let's shift our attention to the actual StayWell situation and renewal. StayWell has discontinued the Bronze 500 plan and added a High Deductible Health Plan (HDHP) with a \$1500 deductible. There will be considerable shifting of enrollment among the plans and our projection to fiscal year 2007 did adjust for the discontinuing of the Bronze 500 plan. Allowed cost was used to project and then benefit factors from the L&E Health Care Model were applied to develop a projected benefit plan cost for the HDHP plan. We did project the active and retiree enrollments separately and then combined for an active and retiree population. Exhibit 13 shows the projected costs for fiscal years 2006 and 2007. The projected values are for per member per month (PMPM) to offset shifts between single and family enrollment.

After combining the medical and drug expense and the active and retiree enrollment, we developed the following projected claims costs PMPM for the continuing Silver and Bronze 1000 plans. These assume that the Silver Plan enrollees would stay in that plan and the Bronze 500 enrollees would all change to the Bronze 1000 plan. We assumed the members enrolling in the HDHP plan would eventually come from the Bronze 1000 plan.

The Silver plan costs are projected to increase at 4.4% per year (already high so cannot get too much higher). The Bronze 1000 costs are projected to increase at 21% per year. The enrollment losses and shifting of higher cost members from Silver and Bronze 500 have been a contributing factor to the higher increase levels for Bronze 1000. The prescription drug trends have also been quite high, 31% for the active enrollment and 14.4% for the retirees.

Of more interest at this point is the comparison of our projected rates for the StayWell plans versus the rates implemented for Fiscal Year 2007. There are several set of values from Exhibit 13 that are important in the comparison. We combine the projected claim costs for medical plus

Rx for actives and retirees by plan using the active and retired members in each plan and developing a weighted average. We have calculated a 'needed premium' by dividing the projected claims for FY07 by 78%. StayWell's administrative expense rate is 22% of premium which leaves 78% for claims and that is why we divided by 78%. In Exhibit 13 we compare the actual premium to the needed as we have determined and to the premium IF there were only one plan option – Bronze 1000. There are two Exhibit 13s – one with 80% of Bronze members shifting to the HDHP and the other with 90% shifting to HDHP.

What does Exhibit 13 tell us? *Depending on the % shift to HDHP, StayWell rates are probably too high. The second point we notice is that the overall cost would have been lower if all had been enrolled in Bronze 1000.*

II. SelectCare Analysis

For SelectCare we also combined the various benefit plans offered to offset the impact of plan shifting so we could get one measured trend for SelectCare. With SelectCare, there were several plan changes, shifting due to rate changes, new plan introductions, etc. so we could not track any one plan for any length of time. By adjusting to Allowed Costs, we were able to effectively compare different plans over time. During the periods analyzed, SelectCare went from two plans (\$500 and \$1000 deductibles) to one plan (\$1500 deductible) to two (\$1500 deductible and an HSA with \$1500 deductible).

Plan shifting has had an impact on the costs for a particular plan (see section on Plan Shifting) but when all are combined and converted to Allowed Costs, the results have been fairly stable. This is evident in Exhibit 14, since the projected costs for the 12 months ending Sep-07 are not that much higher than those for the 12 months ending Sep-06. Comparing our projected costs and needed premium to the actual premium for FY07 as shown in Exhibit 14, *we are projecting that the HDHP 1500 plan is under priced by \$243,258 per month or \$2.9 million for FY 2007.*

SelectCare seems fairly stable until you compare the rates with claim costs and enrollment patterns. Exhibit 15 displays the plan, rate and enrollment history of SelectCare since FY 2003. There is definitely a pattern of large increases to existing plans, new plan introductions at lower rates, subsequent enrollment shifting and finally discontinuing plans.

III. Recommendation

Our recommendation is to only use one carrier and limit the benefit options to no more than two plans. Having two carriers bid has resulted in pricing decisions that are not beneficial to GovGuam and as a result GovGuam has subjected their employees to unstable benefit options and predatory pricing by the carriers. When dealing with only one carrier, the bidding process can certainly be modified or eliminated in most years. GovGuam should be able to obtain more favorable rates through actuarial review and subsequent negotiation. We have also demonstrated, especially in Exhibit 13, that overall costs would have been lower with fewer carriers and benefit options.

SELF INSURANCE OF HEALTH PLAN COSTS

A natural followup analysis to the above projections is to consider self insuring the plan versus the current fully insured approach. There are three key issues to self funding versus fully insured.

1. Administrative expense and profit charges
2. Monthly cash flow variations
3. Ability to fund annual fluctuations in projected costs

Administrative Expense and Profit Charges

The current carriers add in expense loadings of 22% of premium (StayWell) or 23.5% of premium (SelectCare). Using the FY 2007 premiums, I show in Exhibit 16 how these convert to per employee per month (PEPM) values. Assuming final FY 2007 enrollment ends up in the lower rate plans, then probable PEPM values for expense and profit by carrier are

StayWell	\$72.00
SelectCare	\$66.50

Typical administration fees, Network fees, Utilization review fees, etc. for a third party administrator on the mainland are (PEPM basis)

Administration Fee	14.50
Network Access Fee	5.50
Utilization review Fee	2.00
COBRA admin Fee	1.00
Additional accounting, legal, actuarial services	13.00
Total Fees PEPM	36.00

The total fees for self funding are \$36.00 PEPM, which is significantly below the fees being charged by the carriers. ***The savings of \$34.50 PEPM (SelectCare and StayWell combined) would amount to \$323,093 per month or \$3.877 million per year.***

Monthly Cash Flow Variations

With a fully insured program, the monthly expense is based on monthly premiums. These do not vary by month except for enrollment fluctuations, which generally are minimal. Self funded programs will have significant monthly fluctuations as they follow utilization and claim processing and payment patterns. I used StayWell monthly data to show the level of fluctuation that can occur in monthly claims payments.

Exhibit 17 displays the ratio of monthly claims to an expected budgeted monthly claim amount. While there can be a lot of fluctuation, the key values are

Lowest % of expected	77.0%
Highest % of expected	125.0%
Probability claims are greater than expected	39.4%

Probability claims are less than expected	60.6%
Average % amount greater than expected	9.9%
Average % amount less than expected	7.5%

In terms of dollars and cents, if your expected monthly claims are \$2.4 million, then actual monthly paid claims can range from \$1.90 million to \$3.05 million.

In addition to the responsibility to fund monthly paid claims, GovGuam will need to fund and hold a reserve for Incurred but Unpaid Claims that will need to be in the range of \$5.5 million to \$7.5 million. This can be funded in the first year that GovGuam converts to self funded since the current carriers will be responsible for the runout of claims incurred through the termination date so the self funded program will have much lower than expected paid claims in the first 3 to 6 months.

Annual Fluctuations

In the section above we discussed monthly fluctuations in paid claims. There is an additional risk in a self funded program when annual costs (fiscal year) do not equal expected or budgeted costs. The risk to be concerned about is when the annual cost is greater than budgeted. With the number of employees and members in the GovGuam program, this probability is small but is there none the less.

In analyzing the StayWell data (since I had that on a monthly basis and could then combine into rolling 12 month periods), it appears that the GovGuam self funded program could experience fluctuations between 96% and 107.5% of annual expected claim amounts. This means that GovGuam could be expected to fund up to an additional 7.5% in a year (\$2.0 million in 2006 dollars). For annual periods, you can expect 50% of the periods to be greater than expected and 50% less. More stable than monthly.

Some of the fluctuations on an annual basis can be stabilized with the purchase of specific stop loss coverage. Specific stop loss is "reinsurance" of claims in excess of a specific amount, such as \$100,000 or \$150,000, etc. The protection from this depends on the specific amount and the premium for this coverage.

Recommendation

There is considerable savings in administrative expense and profit charges to self fund the health plan. The claims expense will not vary over the long term. Timing of the funding is the variable. As an example, if fully insured, then the carrier eats the fluctuation over expected in the year it occurs but catches up the next year with rate increases. For self funded, you pay in the year it occurs. The critical decision is how much risk and fluctuation can GovGuam tolerate. You will save money with self funding from administrative expense and profit charges.

FUNDING OF RETIREE HEALTH CARE

Currently, retirees have access to coverage at the same rates and government contribution as an active employee. However, the retiree, whether under 65 or over 65, is a much more costly insured than the active employee. This additional cost is funded on a pay as you go approach and not pre-funded over the working lifetime of the employee. Therefore, as retirees age and the number of retirees in proportion to actives increase, the retiree cost becomes an increasing burden to fund for both GovGuam and the actives.

In the process of this analysis we did research the possibility of shifting existing Medicare eligible retirees to Medicare. This would not save GovGuam or the retirees any money as the premium for Medicare would be \$410 per month for Part A and \$93.50 per month for Part B. With the exception of the StayWell Silver plan, this is more than total monthly premium being paid now. New retirees eligible for Medicare will qualify for Medicare due to GovGuam contributions that began in 1998.

I prepared two Exhibit 18s - one with StayWell enrollment and the other with SelectCare enrollment. I selected three percent increases to the retiree rates to test and then determined what change would occur to the active rates to still generate the same monthly premium. From Exhibit 18, we see that a 10% increase to retiree rates will yield a 7.3% decrease to StayWell active rates and 2.1% to SelectCare active rates. Based on ratio of actual to benchmark discussed earlier, we could argue that a 30% increase is consistent with relative risk level.

Another issue we noticed is that there is a high percentage of retirees under the age of 65, which is the age of eligibility for Medicare and the more "normal" age of retirement. For the Staywell enrollment, 60% of the membership is under the age of 65. For SelectCare, 56% of the membership is under age 65. We did not have the data to determine how many of these retirees are working elsewhere either full or part time, but if they are eligible for health coverage where they work (and enroll), then GovGuam would be able to reduce their contributions to the health coverage.

Recommendation

I do recommend that GovGuam begin charging retirees a more proportionate share of the premiums. Initially, a 10% higher rate should be assessed with a gradual increase in that percent to 40% by the 4th year. At that point, I recommend developing a separate plan for retirees with a more limited scope of benefits, especially for those under the age of 65. Another option for those retiring under 65, is to decrease the government share of the contribution to the premium. GovGuam should consider contributing only 50% of the amount contributed towards actives if the retiree is under 65, whether working or not.

We have projected claims expense for FY 2007 for retirees to be \$16.7 million. This cannot be ignored.

HOSPITAL PERFORMANCE VERSUS OTHER AHA BENCHMARKS

We have compared some of the hospital (GMHA) financial data and statistics to those from our American Hospital Association (AHA) database.

Hospital Statistics

Hospital Write-offs per 2004 AHA Data:

<u>Area</u>	<u>% of Write-off</u>
Guam	45%
Hawaii	58%
California	72%
Washington	54%
* Nationwide	62%
* Minimum	19%
* Maximum	75%
* 25 th Percentile	50%
* 50 th Percentile	57%
* 75 th Percentile	61%

*Nationwide Data excludes Territories

Write-offs could include bad debt as well as discounts for managed care contracts.

Net Revenue and Net Expense per IP Day or OP Visit per 2004 AHA Data:

<u>Area</u>	<u>Net Revenue</u>	<u>Net Expense</u>
Guam	\$ 374.66	\$ 492.06
Hawaii	\$ 632.47	\$ 642.99
California	\$ 782.61	\$ 754.45
Washington	\$ 767.13	\$ 718.00
* Nationwide	\$ 659.85	\$ 625.70
* Minimum	\$ 417.44	\$ 388.11
* Maximum	\$ 1,029.37	\$ 994.00
* 25 th Percentile	\$ 592.34	\$ 549.09
* 50 th Percentile	\$ 632.47	\$ 605.31
* 75 th Percentile	\$ 699.70	\$ 661.68

*Nationwide Data excludes Territories

We are also aware that GMHA recently withdrew their discount (8%) for StayWell and SelectCare. Since the write-off percent for GMHA is at the lower end of the range (less than the 25th percentile), the high percent of self pay and uncompensated care has not resulted in too much write-off. Of greater interest is the net revenue and expense for GMHA. It is either below the minimum for the states or only slightly above. From the table above, the Net Expense for

GMHA does not appear to be excessive and would seem to be at a reasonable level. The real problem appears to be that the Net Revenue is at the low end of the range and well below net expense levels. It is interesting to note that Hawaii is having revenue-expense issues similar to Guam's. Hawaii was the only state with a negative revenue to expense relationship.

One could argue that GMHA needs to raise their fees but that would not benefit the GovGuam employee health plan. It would seem that GMHA needs other sources of revenue.

MIP STATUS AND COMPARISON TO MEDICAID

While MIP (and Medicaid) are not directly part of the GovGuam employee health plan, they do indirectly impact the plan. Funding allocated to MIP reduces funding available to contribute to the employee health plan and increase participation or provide a higher level of benefits. We compared MIP claims data to Medicaid claims data and compared FAS citizen claims to All other citizen claims for MIP. We used information provided by Theresa Arcangel.

Exhibit 19 displays MIP versus Medicaid claim results. No real surprises as MIP does have higher claims PMPM (99.23 vs. 71.66). Much of this is due to the higher proportion of adult members. Typically, Medicaid claims are predominantly for pregnant women and children. Both programs compare favorably to the Medicaid HMO 2005 results. Each has a PMPM below even the 10%tile of Medicaid HMO plans. Privatizing MIP and/or Medicaid should reduce claims expense. Probably on the lower end of the typical level of HMO savings since costs are already well below norms (even below 10%tile). The savings for moving to a managed care type plan for MIP-Medicaid should be around 5% to 10%. Finding a managed care plan and getting them qualified through the federal process can take up to a year. GovGuam will probably have to find a plan that does not currently operate in Guam to handle. We will be sending via email a copy of a paper published in June 2005 that goes into great detail on Medicaid Managed Care after lengthy study and surveys of existing state programs. It should serve as a guide on setting up a program and what is successful and what is not. The paper is titled "Medicaid Managed Care Looking Forward Looking Back" by Neva Kaye.

5% savings from Managed Care is estimated to be worth \$1.866 million.

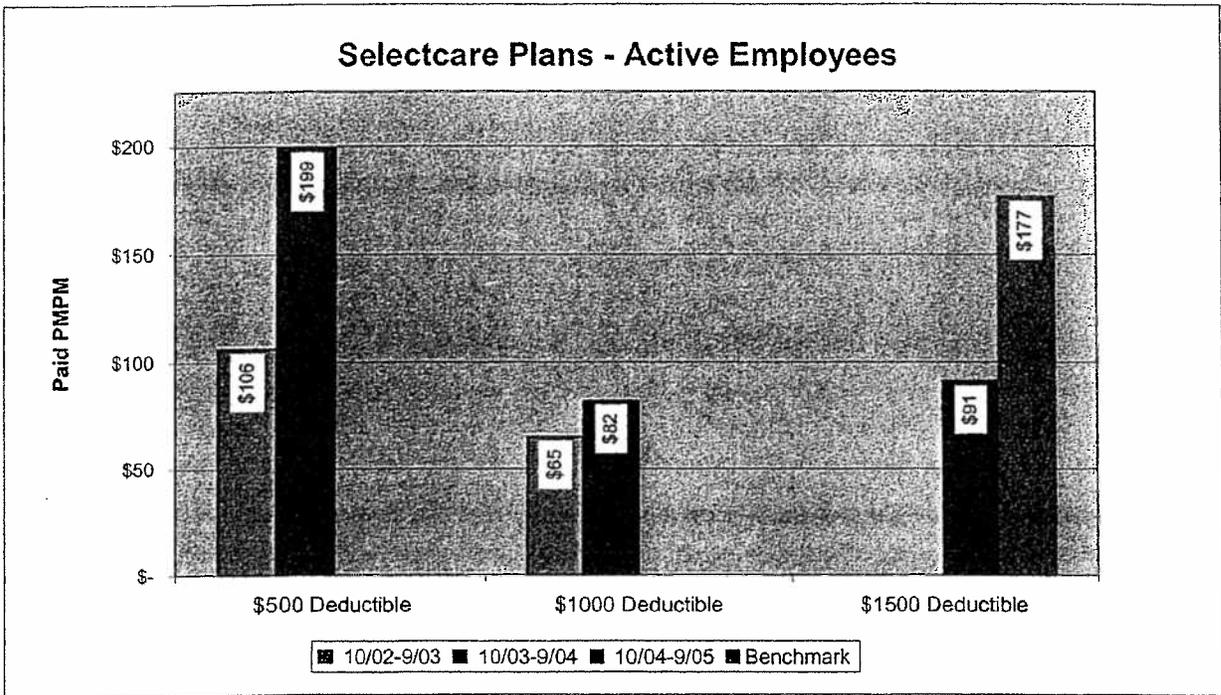
MIP provides coverage to persons who typically have greater income than a Medicaid eligible person. Therefore, they could afford to pay coinsurance on each claim. At this point the MIP benefit level is much higher than the standard employer plan, including the GovGuam plan so does attract persons who opt out of employer sponsored plans to enroll in MIP. Adding coinsurance reduces plan benefit costs and may reduce participants as they decide to stay in the employer plan.

10% coinsurance would have reduced MIP claims costs \$1.0 to \$1.2 million.

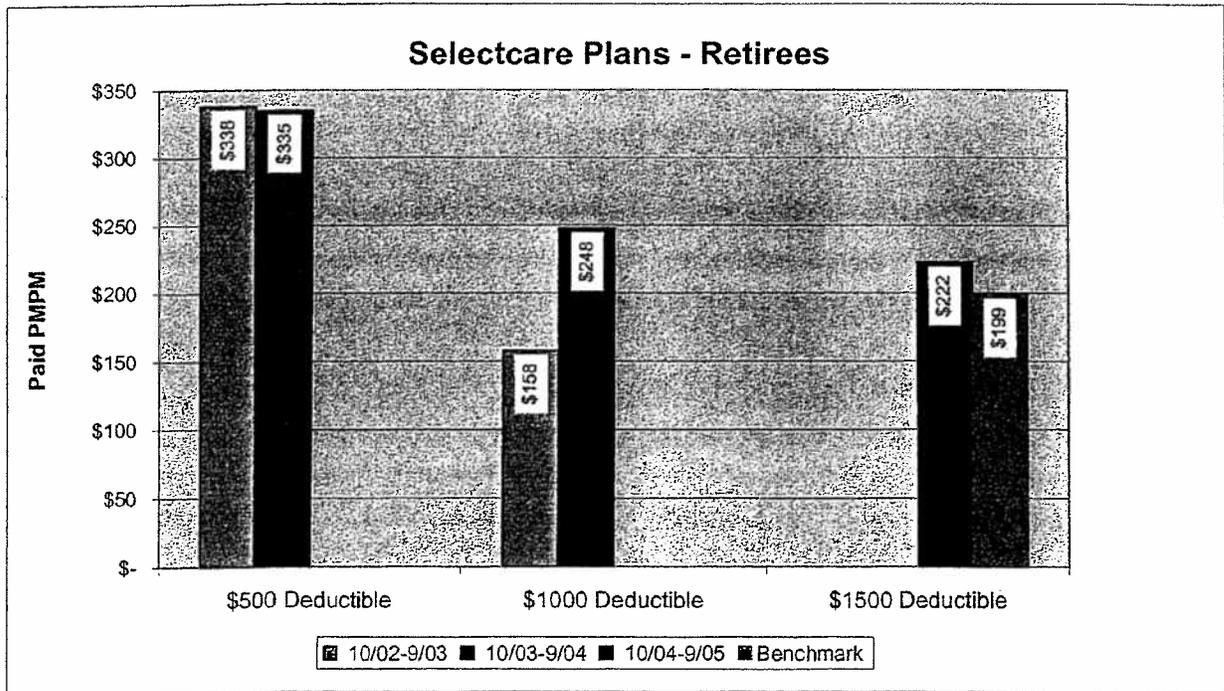
We also compared utilization of FAS citizens to all other citizens using MIP. Exhibit 20 displays the results. MIP paid claims on FAS citizens of \$3.2 million in FY 2006. Their costs on a PMPM basis were less than Guam citizens but that may be due to only coming to Guam to get care for certain conditions not available on their island. This is a large enough amount to justify searching for other revenue sources to fund these expenditures.

We have addressed Medicaid and MIP as reductions in GovGuam expenditures for these programs could make more funds available to the employee health plan.

Exhibit 1

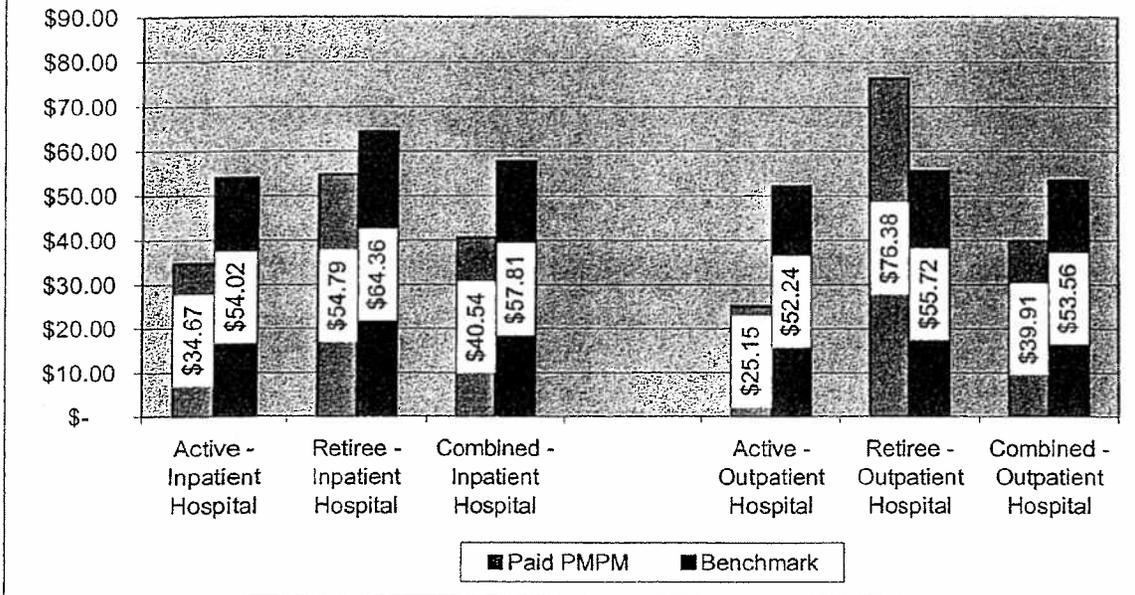


Shows impact of selection and movement between plans.



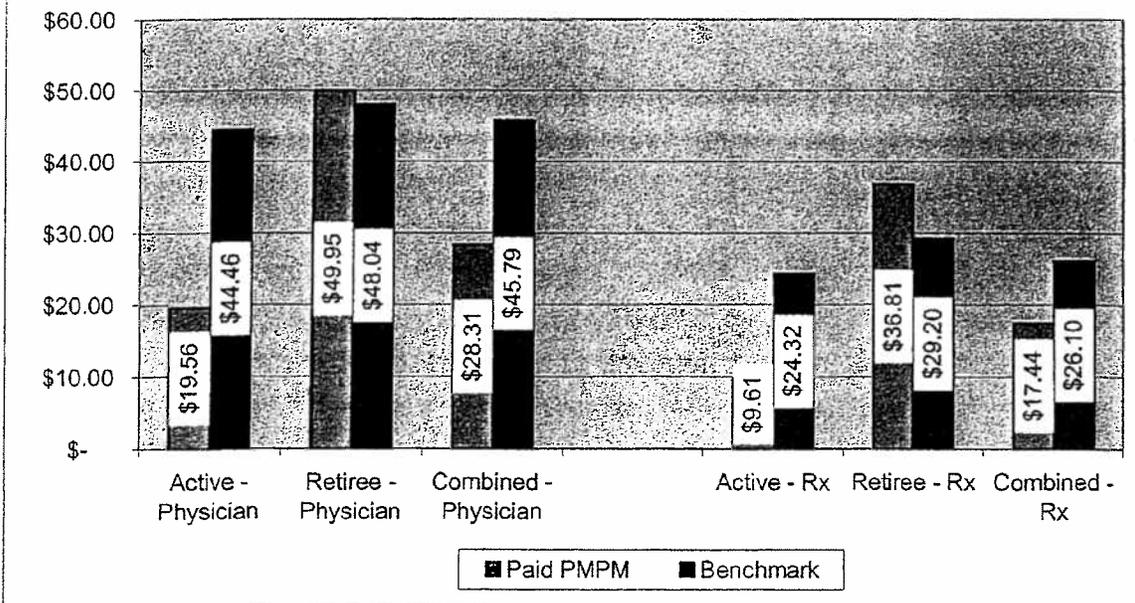
Increase in \$1000 Deductible due to plan shifting and movement.
 Actual SelectCare cost for \$1500 Deductible is greater than Benchmark - only time.

Selectcare 1500 Plan Hospital - Exhibit 2

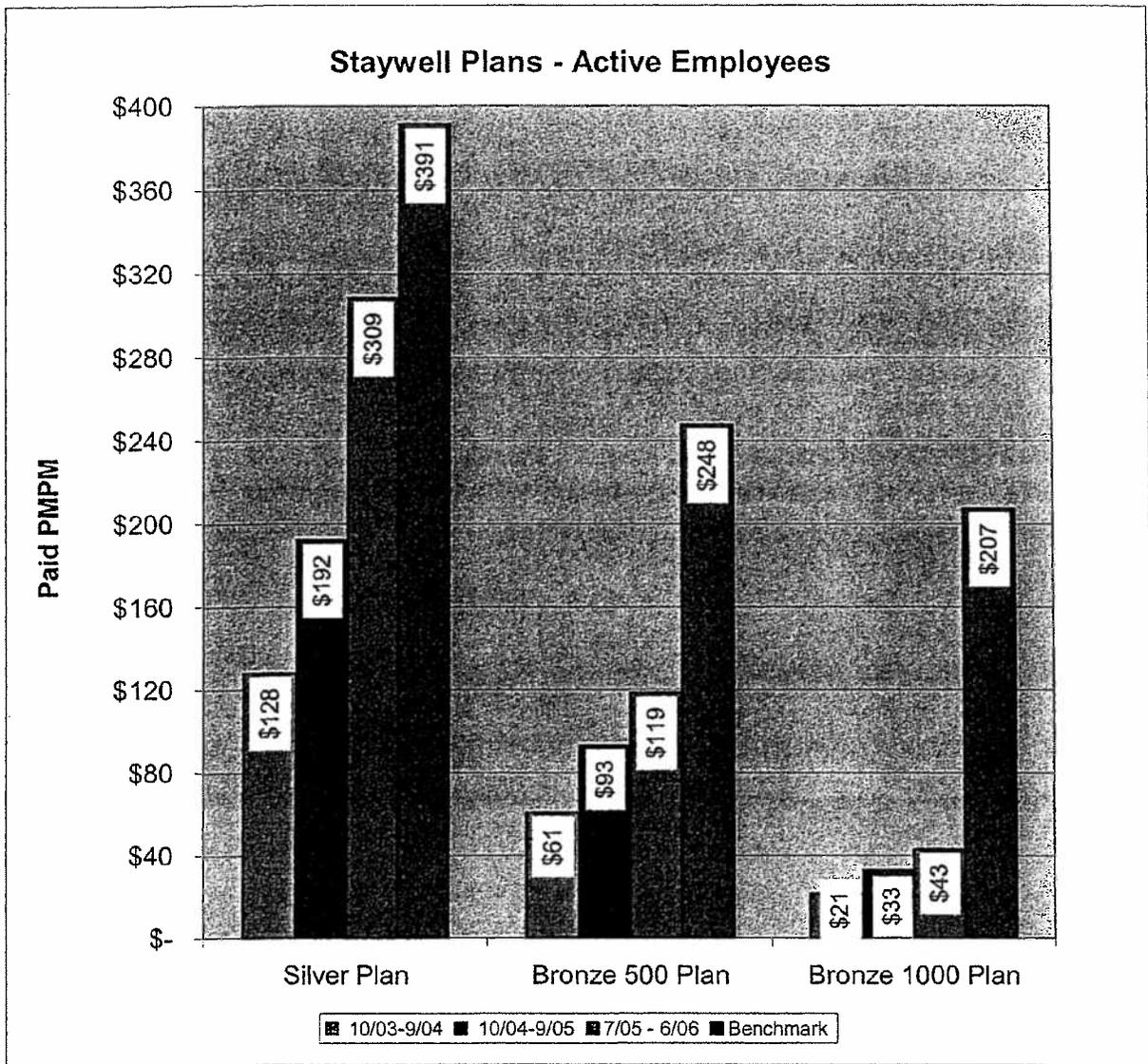


Inpatient use is low. Retiree outpatient is high. May be reflective of retiree risk.

Selectcare 1500 Plan Other than Hospital - Exhibit 3



Active use is well below Benchmarks. Retiree is above - may reflect retiree risk level.



Demonstrates the impact of the movement between plans.

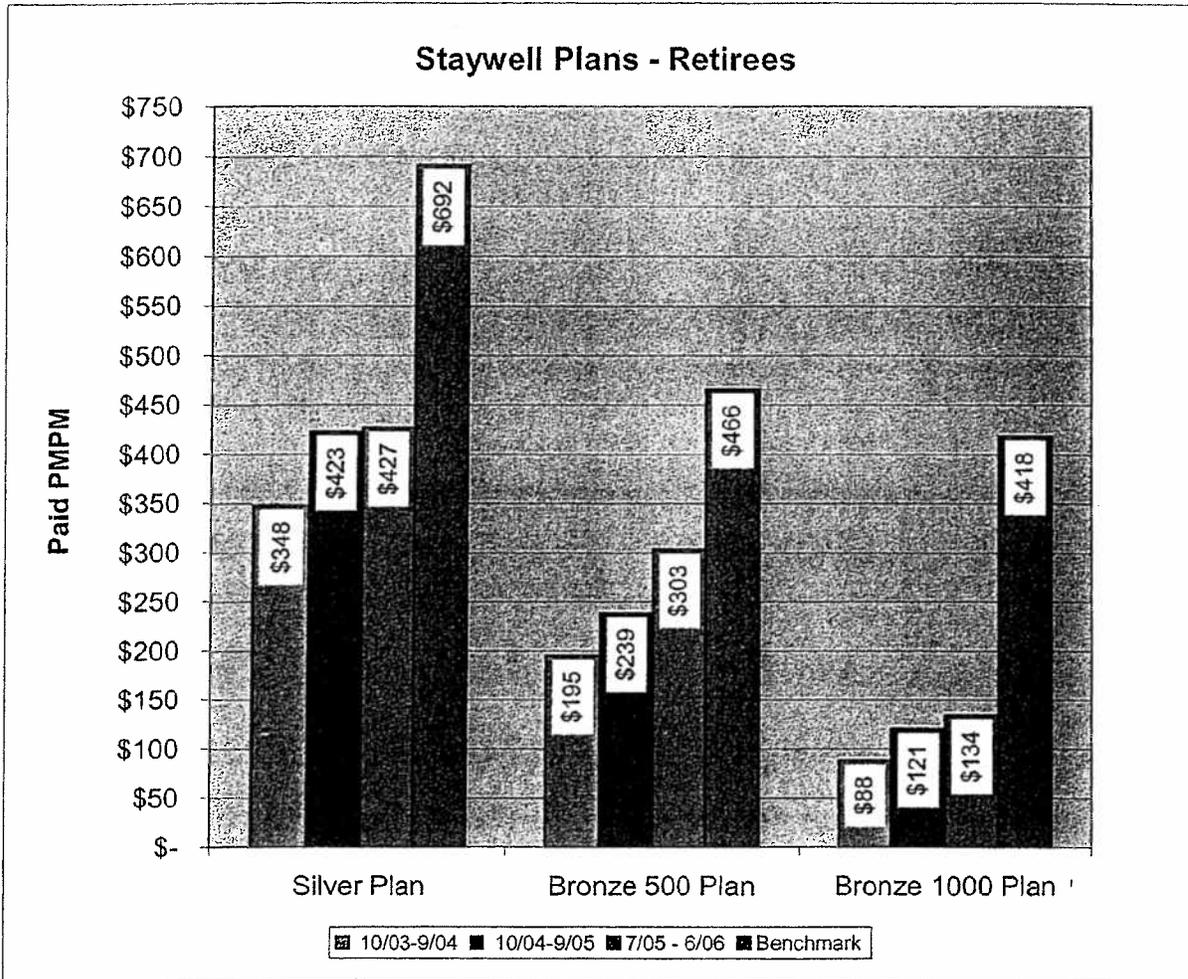
All three have had significant increases over the three years.

Silver	140.8%	(\$128 to \$309)
Bronze 500	95.5%	(\$61 to \$119)
Bronze 1000	99.9%	(\$21 to \$43)

All below the L&E Benchmark. The ratio to Benchmark declines as benefit level decreases.

Silver	78.8%
Bronze 500	47.9%
Bronze 1000	20.7%

Note: The Benchmark assumes an average risk by age, plan, etc.
StayWell enrollment by Plan is not average.



Very similar results as the Actives

All three have had significant increases over the three years.

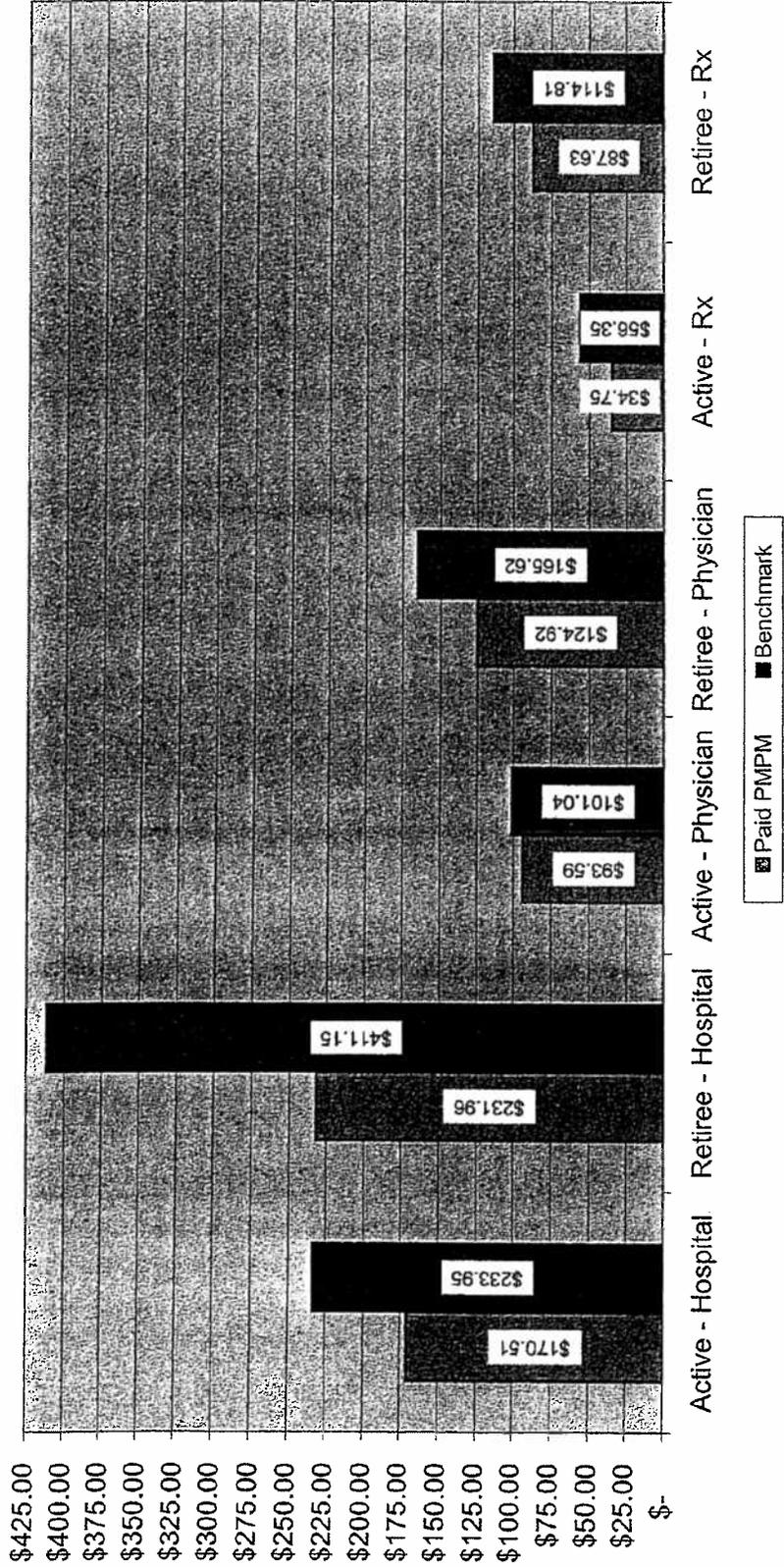
Silver	22.8%	(\$348 to \$427)	(Costs already high - little room to increase)
Bronze 500	55.6%	(\$195 to \$303)	
Bronze 1000	52.3%	(\$88 to \$134)	

All below the L&E Benchmark. The ratio to Benchmark declines as benefit level decreases.

Silver	61.7%
Bronze 500	65.1%
Bronze 1000	32.1%

Note: The Benchmark assumes an average risk by age, plan, etc.
StayWell enrollment by Plan is not average.

Staywell Silver Plan - Exhibit 5



All of the StayWell Silver service categories are below Benchmark. No utilization issues.

Ratio Paid to Benchmark

Active

Hospital

Physician

Rx

Retiree

56.42%

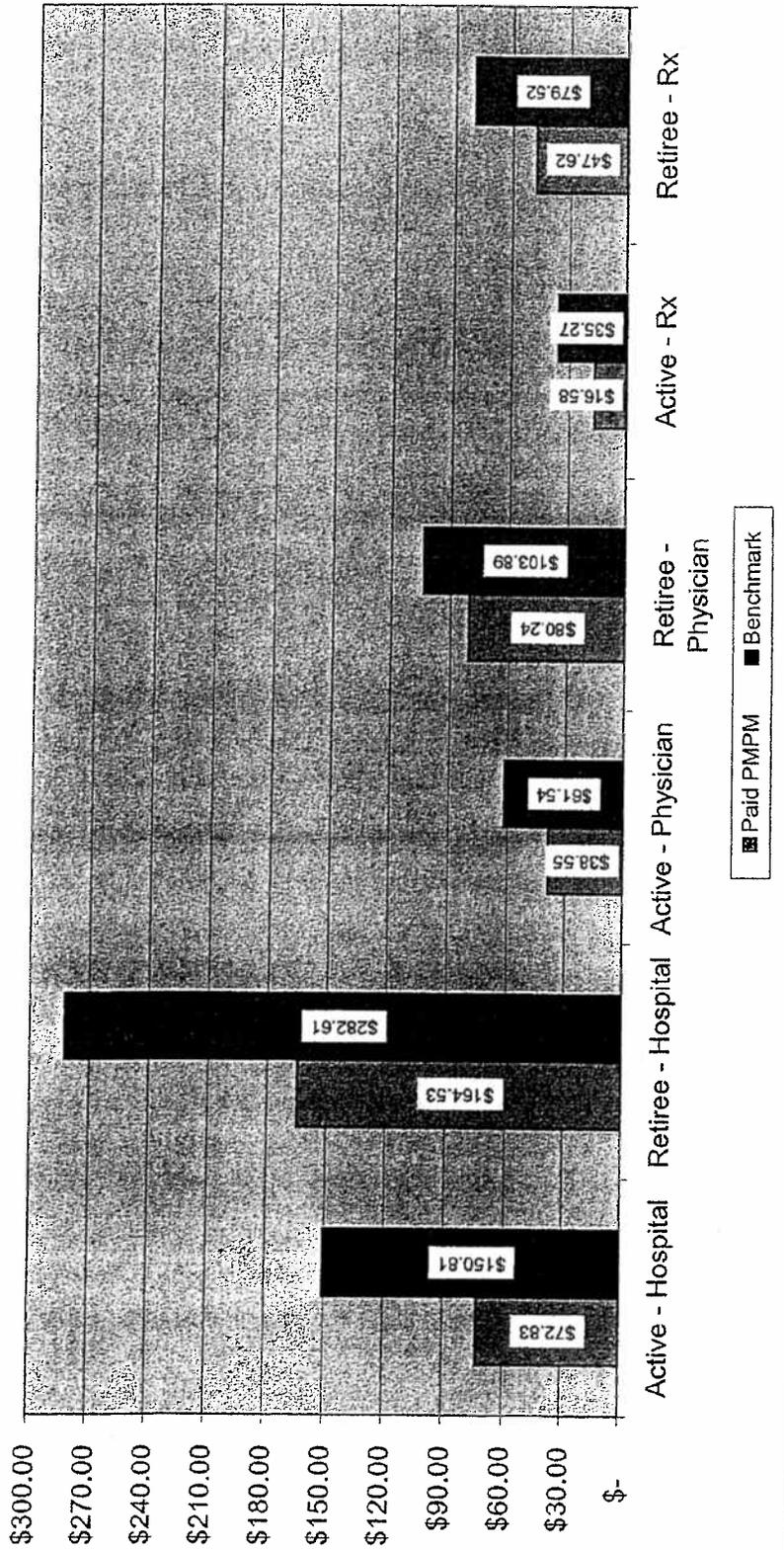
72.89%

92.63%

75.42%

76.33%

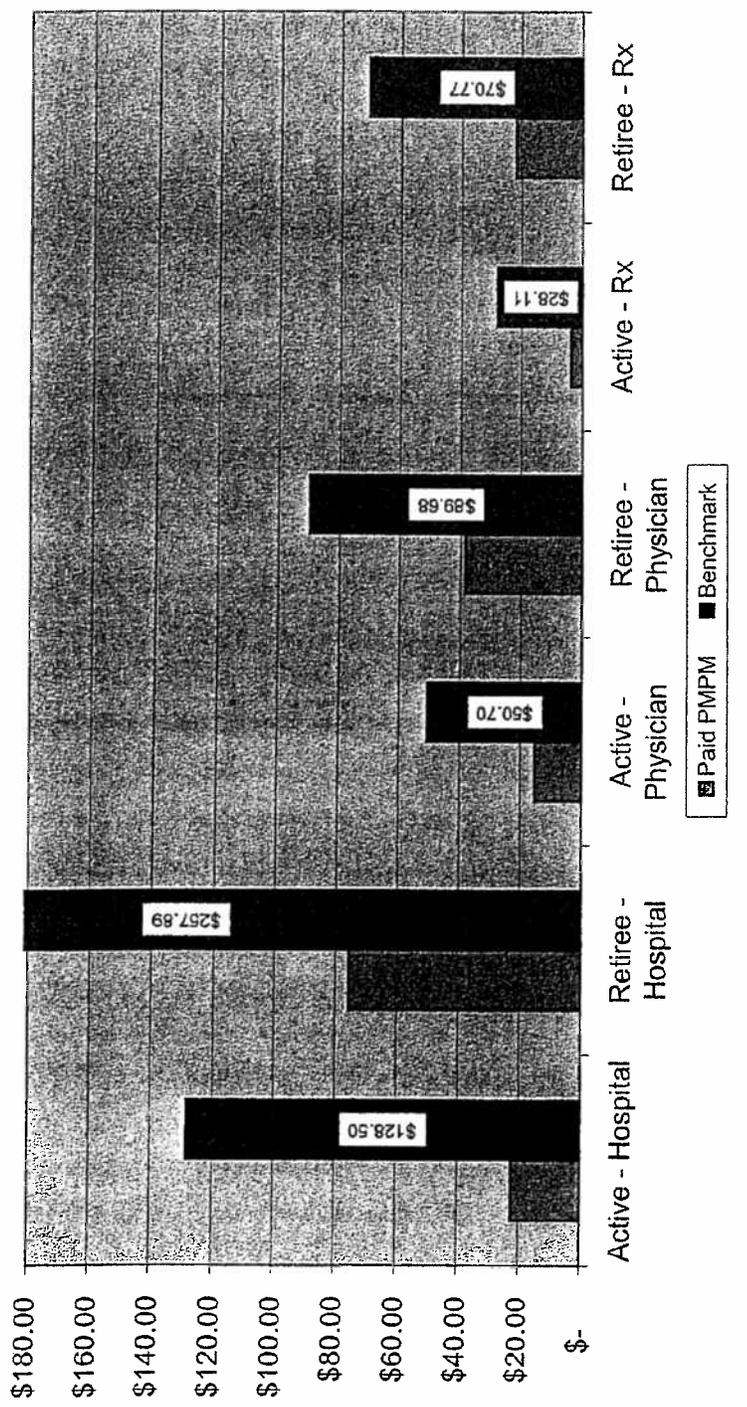
Staywell Bronze 500 Plan Hospital - Exhibit 6



All of the StayWell Bronze 500 service categories are below Benchmark. No utilization issues.

Ratio Paid to Benchmark	Hospital	Physician	Rx
Active	48.30%	62.65%	47.01%
Retiree	58.22%	77.23%	59.89%

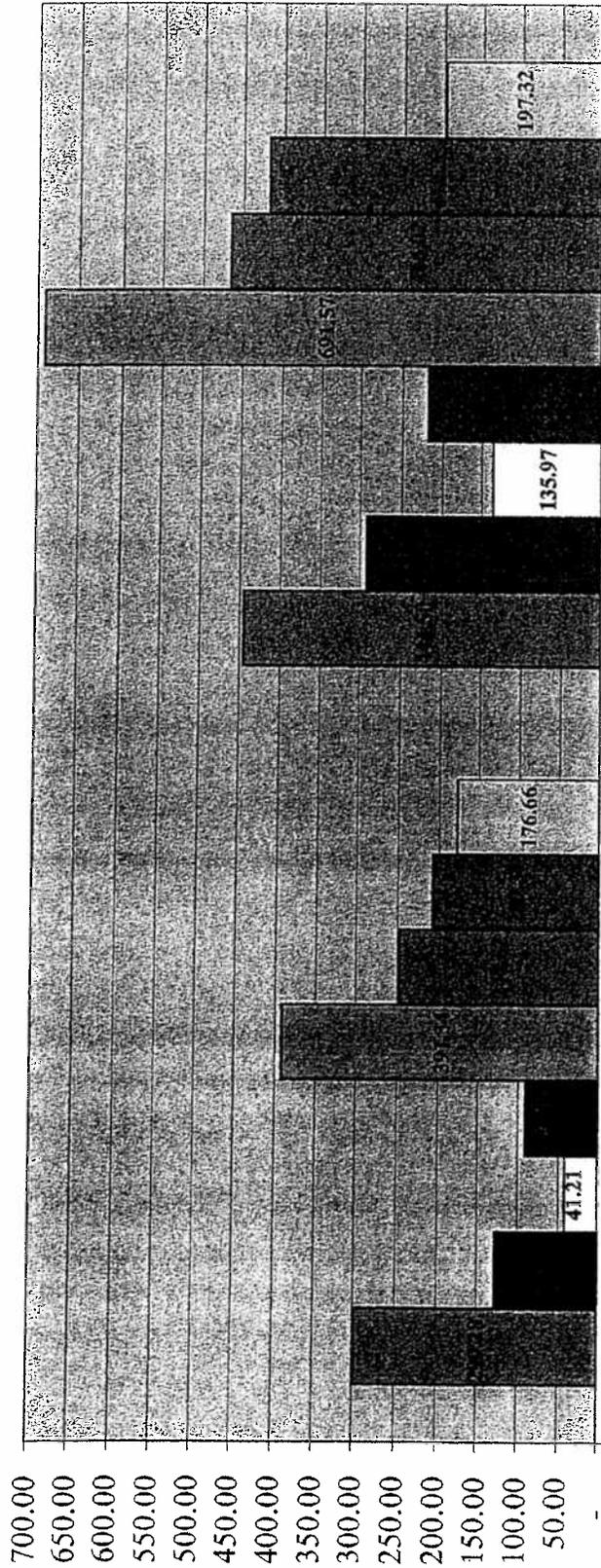
Staywell Bronze 1000 Plan Hospital - Exhibit 7



All of the StayWell Bronze 1000 service categories are below Benchmark. No utilization issues.

Ratio Paid to Benchmark	Hospital	Physician	Rx
Active	17.49%	29.81%	12.79%
Retiree	29.32%	42.90%	30.94%

PMPM Comparisons - Exhibit 8

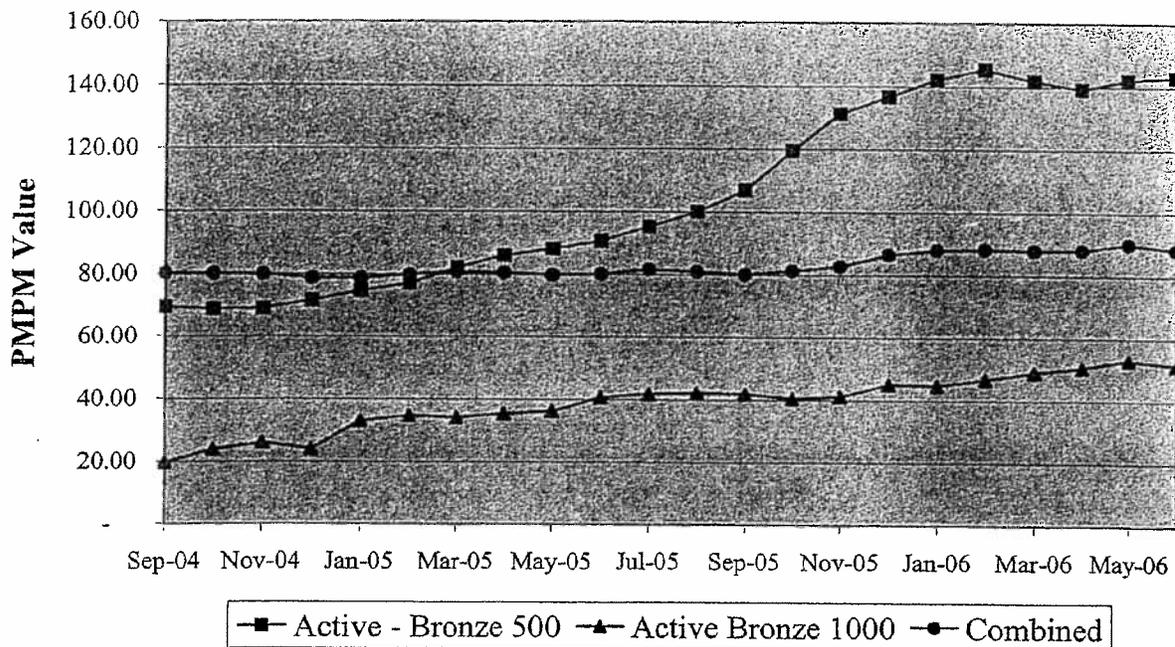


Active - All Service Categories

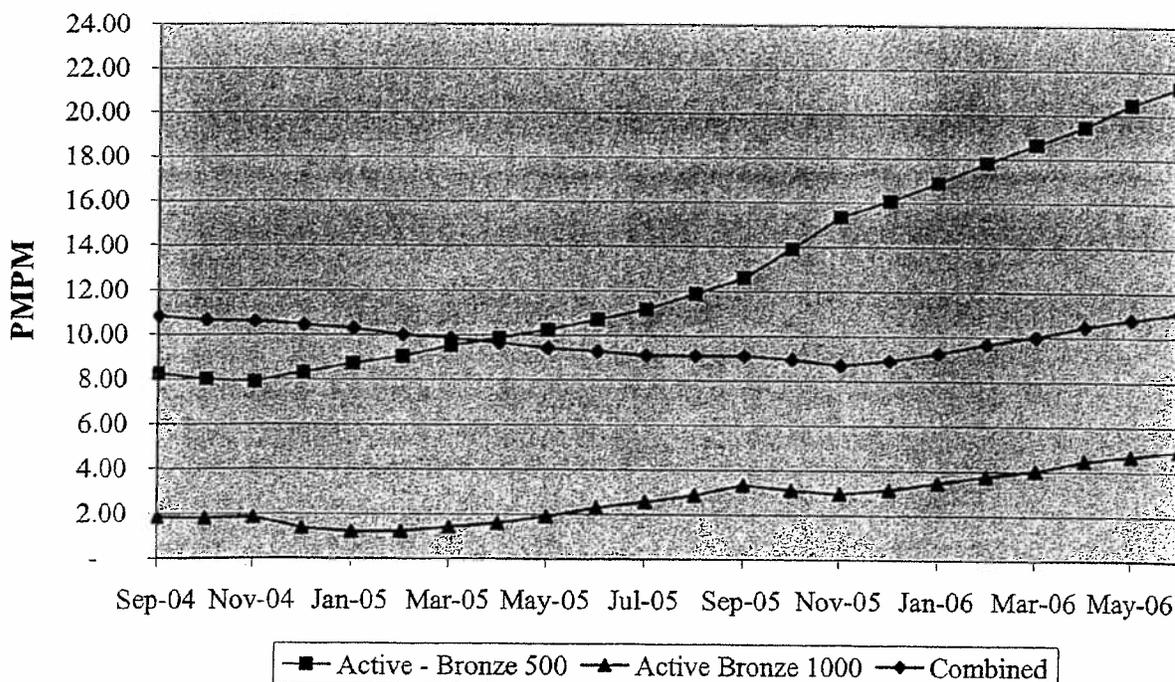
Retiree - All Service Categories

- Paid SW Silver
- Paid SW Brz 500
- Paid SW Brz 1000
- Paid SC 1500
- Benchmark-SW Silver
- Benchmark-SW Brz 500
- Benchmark-SW Brz 1000
- Benchmark-SC 1500

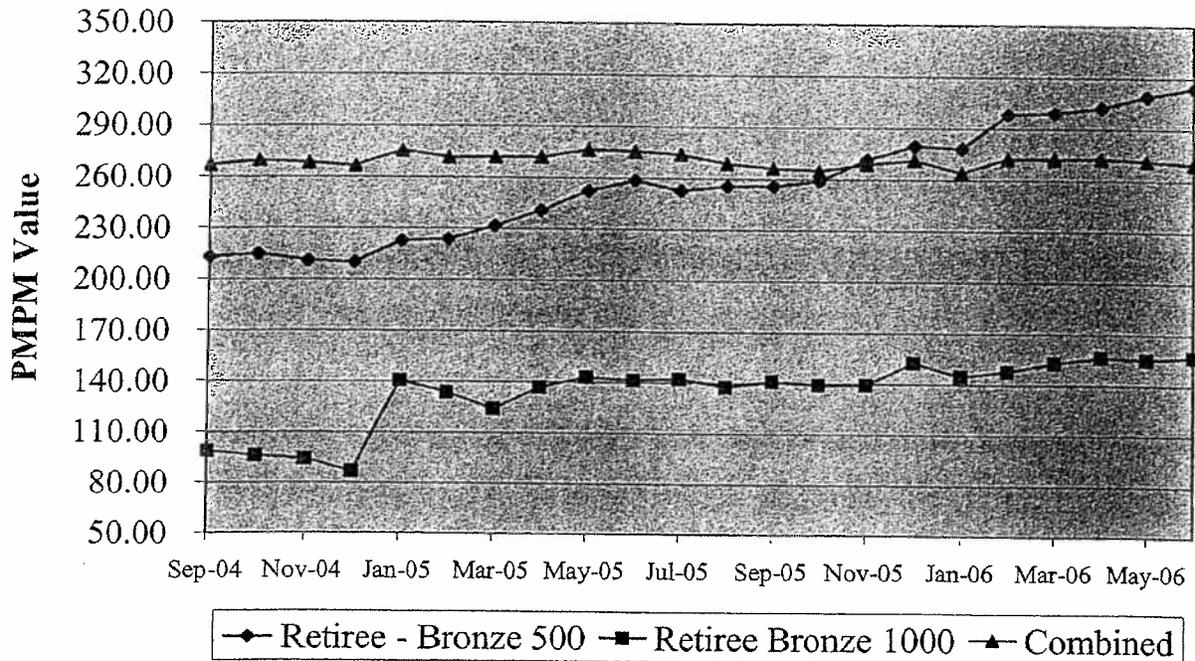
Allowed Medical 12 Mos ending - Exhibit 9



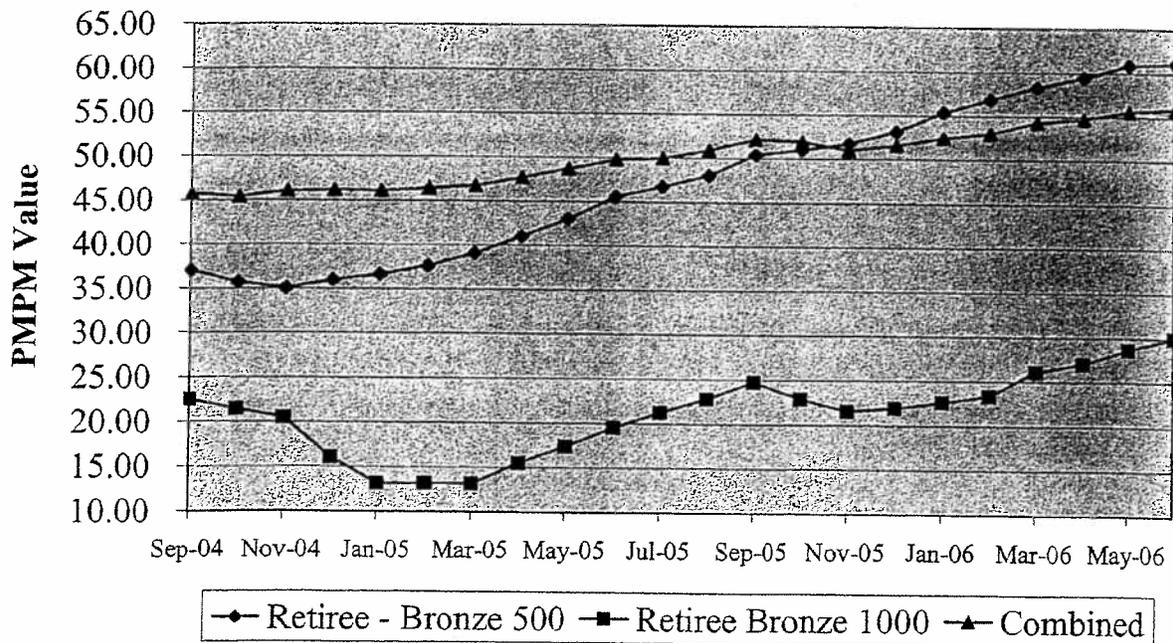
Allowed Rx 12 Mos ending - Exhibit 10



Allowed Medical 12 Mos ending - Exhibit 11



Allowed Rx 12 Mos ending - Exhibit 12



StayWell Data-Active Proj-Exhibit 13A

Month-Year	Allowed Medical PMPM - Rolling 12 Month			Allowed Rx PMPM - Rolling 12 Month		
	Active - Silver	Active - Bronze 500	Active - Bronze 1000	Active - Silver	Active - Bronze 500	Active - Bronze 1000
Sep-05	179.96	106.88	41.89	26.19	12.60	3.33
Oct-05	203.25	119.45	40.52	28.58	13.91	3.09
Nov-05	245.29	131.18	41.17	31.05	15.34	2.95
Dec-05	255.05	156.58	45.03	31.69	16.07	3.13
Jan-06	270.97	142.10	41.76	31.67	16.88	3.45
Feb-06	252.84	145.40	46.70	33.07	17.82	3.73
Mar-06	258.02	141.62	48.97	34.18	18.63	3.99
Apr-06	269.91	159.15	50.66	35.00	19.45	4.45
May-06	281.63	142.15	53.12	35.78	20.47	4.68
Jun-06	283.53	142.95	51.53	37.25	21.26	4.92
Sep-06	296.16	147.80	58.11	39.56	23.86	5.86
Sep-07	354.35	161.91	77.21	50.93	34.22	9.44
Sep-08	412.69	176.05	96.36	61.13	44.60	13.03
Sep-06	275.43	115.29	42.42	36.79	18.61	4.27
Sep-07	329.54	126.29	56.36	46.80	26.69	6.89
Sep-08	383.80	137.32	70.34	56.85	34.79	9.51
Jul-06	467.69	177.07	112.76			
Sep-06	312.22	133.90	46.69			76.00
Sep-07	376.35	152.98	63.25			85.17
Sep-08	440.65	172.10	79.85			94.36
Ann % Inc	18.80%	13.37%	30.77%			
Sep-06	400.28	171.66	59.86			
Sep-07	482.50	196.12	81.09			
Sep-08	564.93	220.65	102.37			
Sep-06				109.19	16.72	2,152,328
Sep-07				120.97	29.12	3,747,946
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StayWell Data-Retiree Proj-Exhibit 13R

Allowed Medical PMPM - Rolling 12 Month

Month-Year	Retiree -		Combined
	Bronze 500	Bronze 1000	
Sep-05	377.63	140.59	266.23
Oct-05	387.44	138.85	264.85
Nov-05	400.47	139.09	268.71
Dec-05	400.97	152.15	271.11
Jan-06	395.11	144.40	264.13
Feb-06	399.71	147.44	272.51
Mar-06	400.67	152.56	272.31
Apr-06	401.50	156.15	272.65
May-06	394.62	154.89	271.43
Jun-06	382.86	156.41	269.67

Projected Allowed Medical PMPM

Sep-06	382.61	164.04	272.93
Sep-07	354.05	189.20	277.74
Sep-08	325.41	214.42	282.57

Projected Paid Medical

Month-Year	Retiree -		Combined
	Bronze 500	Bronze 1000	
Sep-06	355.83	119.75	217.39
Sep-07	329.27	138.11	247.99
Sep-08	302.63	156.53	278.67

Month-Year	Retiree -		Combined
	Bronze 500	Bronze 1000	
Jul-06	520.44	152.58	245.84

Projected Paid Medical and Rx - All three kept in force

Sep-06	447.28	144.31	263.67
Sep-07	437.92	174.09	307.29
Sep-08	428.53	203.94	351.03
Ann % Inc	-2.12%	18.88%	15.38%

Needed Premium (Paid / .78)

Sep-06	573.44	185.01	338.03
Sep-07	561.44	223.19	393.96
Sep-08	549.40	261.46	450.03

Allowed Rx PMPM - Rolling 12 Month

Month-Year	Retiree -		Combined
	Bronze 500	Bronze 1000	
Sep-05	75.67	24.75	52.14
Oct-05	79.52	22.94	51.93
Nov-05	82.67	21.57	50.96
Dec-05	84.81	21.90	51.55
Jan-06	86.20	22.64	52.44
Feb-06	87.42	23.36	52.97
Mar-06	89.11	26.10	54.21
Apr-06	90.30	27.05	54.58
May-06	91.98	28.67	55.58
Jun-06	93.92	29.99	55.88

Projected Allowed Rx PMPM

Sep-06	98.34	33.64	58.42
Sep-07	116.83	49.28	67.42
Sep-08	135.37	64.95	76.45

Projected Paid Rx

Month-Year	Retiree -		Combined
	Bronze 500	Bronze 1000	
Sep-06	91.46	24.56	46.27
Sep-07	108.65	35.97	59.30
Sep-08	125.90	47.41	72.36

Allowed Med & Rx	331.35
	345.17
	359.02
	4.09%
	shows one plan

Projected Paid Medical and Rx - Only one plan - Bronze 1000

Month-Year	Retiree -		Savings PMPM	Annual Savings
	Bronze 500	Bronze 1000		
Sep-06	241.89	70.92	323.04	3,677,287
Sep-07	251.97	114.03	336.00	5,912,763
Sep-08	262.08			

StayWell Data-Act&Ret Proj-Exhibit 13

	Silver	Bronze 500	Bronze 1000	Combined
Premium PMPM-Act&Ret for Jul-06	500.83	204.43	120.30	171.90
Medical and Rx claims PMPM-Act&Ret Projected to Sep-06	397.08	205.95	65.17	132.32
Medical and Rx claims PMPM-Act&Ret Projected to Sep-07, moving Bronze 500 to 1000	415.03		135.48	153.07

We will divide projected claims by .78 to add in the StayWell 22% expense load and assume all Bronze 500 members will switch to the 1000 plan. We are also showing the needed premium for the HDHP plan. This is based on the actuarial factors from the L&E model applied to the 1000 plan.

	Silver	HDHP 1500	Bronze 1000
Needed Premium PMPM (Paid / .78) for FY07	532.09	147.04	173.69
Needed Increase % for FY 07	6.24%		44.38%
Actual Increase %	46.47%		102.79%
Actual Premium PMPM for FY07	733.58	120.90	243.95

(Actual HDHP Premium PMPM assuming mix similar to Bronze 1000)

We will need to test the impact of adding the HDHP. Will model different % of Bronze members going to the HDHP - impact on total premium.

	80%	15,046	2,746,271
Percent of Bronze members shifting to HDHP 1500 plan			
Members used to calculate monthly premium and compare scenarios after shift	947	11,279	2,820
Actual monthly premium (uses actual premium PMPM times members)	694,697	1,363,674	687,900
Needed monthly premium (uses needed premium PMPM times members)	503,893	1,658,506	489,763

Actual - Needed monthly 94,108
 Actual rates are too high

Needed Premium PMPM Bronze 1000 only 170.60
 Needed monthly premium-Bronze 1000 only 2,566,923
 Monthly savings if one plan only-Bronze 1000 179,348

StayWell Data-Act&Ret Proj-Exhibit 13

	Silver	Bronze 500	Bronze 1000	Combined
Premium PMPM-Act&Ret for Jul-06	500.83	204.43	120.30	171.90
Medical and Rx claims PMPM-Act&Ret Projected to Sep-06	397.08	205.95	65.17	132.32
Medical and Rx claims PMPM-Act&Ret Projected to Sep-07, moving Bronze 500 to 1000	415.03		135.48	153.07

We will divide projected claims by .78 to add in the StayWell 22% expense load and assume all Bronze 500 members will switch to the 1000 plan. We are also showing the needed premium for the HDHP plan. This is based on the actuarial factors from the L&E model applied to the 1000 plan.

	Silver	HDHP 1500	Bronze 1000
Needed Premium PMPM (Paid / .78) for FY07	532.09	147.04	173.69
Needed Increase % for FY 07	6.24%		44.38%
Actual Increase %	46.47%		102.79%
Actual Premium PMPM for FY07	733.58	120.90	243.95

(Actual HDHP Premium PMPM assuming mix similar to Bronze 1000)

We will need to test the impact of adding the HDHP. Will model different % of Bronze members going to the HDHP - impact on total premium.

	90%	1,410	15,046
Members used to calculate monthly premium and compare scenarios after shift	947	12,689	15,046
Actual monthly premium (uses actual premium PMPM times members)	694,697	1,534,133	343,950
Needed monthly premium (uses needed premium PMPM times members)	503,893	1,865,819	244,882

Actual - Needed monthly (41,814)
Actual rates are too low

Needed Premium PMPM Bronze 1000 only	170.60
Needed monthly premium-Bronze 1000 only	2,566,923
Monthly savings if one plan only-Bronze 1000	5,857

SelectCare Data-Act&Ret Proj-Exhibit 14

Because of the many plan changes by SelectCare, we cannot project any one plan from historical data. We converted all of the plans to allowed values and projected aggregate of all plans and then will use actuarial factors to get back to plan specific. The plan specific factors are for a 1500 deductible (HSA and non HSA)

	Allowed-Act W/Benefit-Act	Allowed-Ret W/Benefit-Ret	W/Benefit	applies actuarial value of deductible, coinsurance to allowed to get projected benefits paid
Proj Medical PMPM				
Sep-06	125.71	326.15	225.05	
Sep-07	126.95	321.04	221.52	
Proj Rx PMPM				
Sep-06	16.83	68.41	42.41	
Sep-07	18.50	76.30	47.31	
Proj Med & Rx PMPM				
Sep-06	142.54	394.56	267.46	Active & Retiree Allowed W/Benefit 190.65 130.70
Sep-07	145.45	397.35	268.83	193.54 132.51

Dividing by .765 to add in the SelectCare 23.5% expense load.

Needed Premium PMPM (W/Benefit /.765)-Act&Ret for FY07	173.21
Premium PMPM-Act&Ret (HDHP 1500) - FY06	105.39
Needed Increase % to HDHP 1500 FY07	64.35%
Actual Increase % for FY07	5.17%
Actual Premium PMPM - Act&Ret for FY07	110.84

Monthly Difference ((Actual - Needed) x members) (243,258)
 Members used in monthly difference 3,900

SelectCare Benefits and Rates - Exhibit 15

		Single Mo	Family	%	Member
		Rate	Mo rate	Increase	Count
10/02 - 9/03	500 Ded	140.00	404.00		30,799
	1000 Ded	114.00	328.86		13,692
10/03 - 9/04	500 Ded	260.00	749.60	85.54%	6,561
	1000 Ded	114.00	328.86	0.00%	31,319
10/04 - 9/05	1500 Ded	150.94	450.70		20,895
10/05 - 9/06	1500 Ded	302.64	904.84	100.76%	4,704
	HSA1500 Ded	120.00	375.00		42,000
10/06 - 9/07	HSA1500 Ded	126.00	395.00	5.33%	

Demonstrates SelectCare pricing patterns

Large percent increases followed by drop in plan enrollment

Introduce new plan at favorable rates - attracts more enrollment

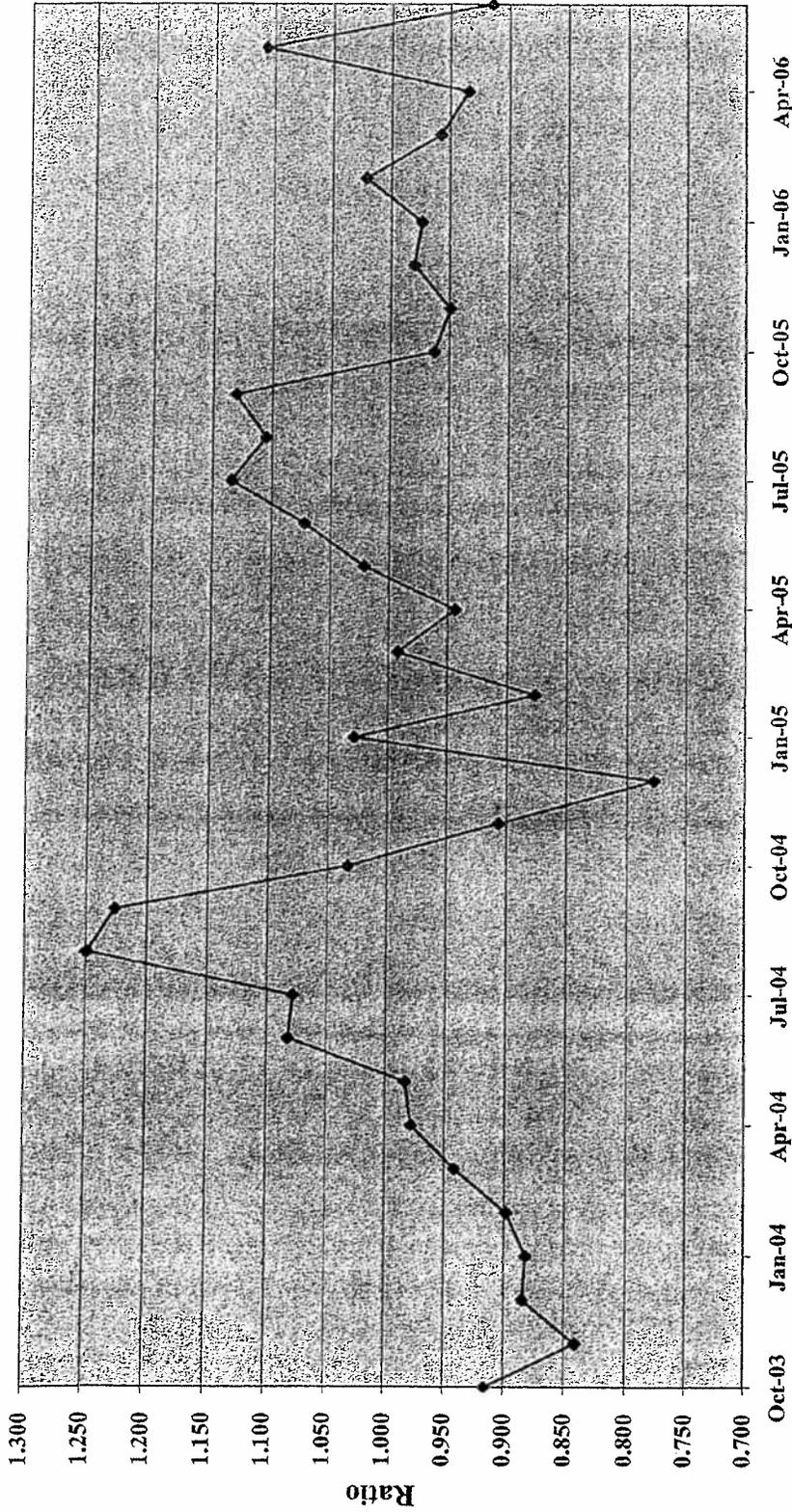
Probably explains why historically under priced

Premiums-Exhibit 16

Plan		Class 1	Class 2-3	Total
SC HDHP 1500	Emps	716	888	1,604
	Mo Rate	126.00	395.00	
	Mo Prem	90,216	350,760	440,976
	PEPM			274.92
	Expense-profit PEPM			64.61
PHIL 1000	Emps	161	254	415
	Mo Rate	136.00	428.00	
	Mo Prem	21,896	108,712	130,608
	PEPM			314.72
	Expense-profit PEPM			73.96
SW Silver	Emps	737	65	802
	Mo Rate	742.58	2242.42	
	Mo Prem	547,281	145,757	693,039
	PEPM			864.14
	Expense-profit PEPM			190.11
SW Bronze 1000	Emps	3,385	3,159	6,544
	Mo Rate	256.26	822.06	
	Mo Prem	867,440	2,596,888	3,464,328
	PEPM			529.39
	Expense-profit PEPM			116.47
SW HDHP 1500 (Assumes 100% of Bronze 1000 shifts)	Emps	3,385	3,159	6,544
	Mo Rate	126.00	404.24	
	Mo Prem	426,510	1,276,994	1,703,504
	PEPM			260.32
	Expense-profit PEPM			57.27

Stay Well Data-Monthly-Exhibit 17

Monthly Claim Fluctuations



Ratio to Monthly Average

Probability claims > expected 39.4% Average fluctuation > Expected 9.92% Average fluctuation < Expected -7.54%

Exhibit 18-SC Act vs Ret Proj

	SelectCare Actives			SelectCare Retirees		
	PHIL 1000 Class 1	HDHP - 1500 Class 2 - 3	Class 2 - 3	PHIL 1000 Class 1	HDHP - 1500 Class 2 - 3	Class 2 - 3
April 2006 Emp/Ret count	113	224	755	49	28	126
Current Mo Rate	68.00	214.00	197.50	68.00	214.00	197.50
Monthly Premium-Current	235,792			48,384		
Combined Monthly Premium	284,176					
Scenario 1 - Ret increased by				10.0%		
New Monthly Rates	66.60	209.61	193.45	74.80	235.40	217.25
Monthly Premium-Scenario 1	230,953	-2.1% reduction of active rate		53,222		
Combined Monthly Premium	284,176					
Scenario 2 - Ret increased by				20.0%		
New Monthly Rates	65.21	205.22	189.39	81.60	256.80	237.00
Monthly Premium-Scenario 2	226,115	-4.1% reduction of active rate		58,061		
Combined Monthly Premium	284,176					
Scenario 3 - Ret increased by				30.0%		
New Monthly Rates	63.81	200.83	185.34	88.40	278.20	256.75
Monthly Premium-Scenario 3	221,276	-6.2% reduction of active rate		62,899		
Combined Monthly Premium	284,176					

Assumes all of higher deductible enrollees shifted to HDHP plan.
Assumes that none of retirees will drop coverage inspite of increases.

Exhibit 18-SW Act vs Ret Proj

	StayWell Actives			StayWell Retirees		
	Class 1	Class 2 - 3	Choice HDHP Class 1	Silver Class 1	Class 2 - 3	Choice HDHP Class 1
July 2006 Emp/Ret count	239	28	2,071	498	37	1,314
Current Mo Rate	373.29	1,121.21	63.00	373.29	1,121.21	63.00
Monthly Premium-Current	694,332		202.12	505,413		202.12
Combined Monthly Premium	1,199,745					
Scenario 1 - Ret increased by						
New Monthly Rates	346.12	1,039.60	58.41	10.0%		
Monthly Premium-Scenario 1	643,791	-7.3% reduction of active rate	187.41	410.62	1,233.33	69.30
Combined Monthly Premium	1,199,745			555,954		222.33
Scenario 2 - Ret increased by						
New Monthly Rates	318.95	957.98	53.83	447.95		
Monthly Premium-Scenario 2	593,250	-14.6% reduction of active rate	172.69	606,496	1,345.45	75.60
Combined Monthly Premium	1,199,745					242.54
Scenario 3 - Ret increased by						
New Monthly Rates	291.77	876.37	49.24	485.28		
Monthly Premium-Scenario 3	542,708	-21.8% reduction of active rate	157.98	657,037	1,457.57	81.90
Combined Monthly Premium	1,199,745					262.76

Assumes all of Bronze enrollment shifted to HDHP.
 Assumes that none of retirees will drop coverage inspite of increases.

Comparison MIP vs Medicaid-Exhibit 19

Fiscal Year 2005 Data Type of Service	Oct 2004 thru Sep 2005		Paid / Elig Medicaid	Paid / Elig MIP
	Claims / 1000 Medicaid	Claims / 1000 MIP		
Off Island Care	19	30	55.35	50.07
ICF Services	0	53	0.04	131.59
Inpatient Hospital Services	179	123	233.30	294.65
SNF	4	11	15.04	59.09
Outpatient Hospital	298	271	44.57	89.19
HHC	37	58	5.37	12.58
Physician Services	1,651	1,037	121.62	171.56
Lab and Radiology Services	1,003	1,204	109.95	152.54
Clinic Services	34	3	3.32	0.45
Dental Services	67	1	13.89	0.10
Diagnostic Mammogram	0		0.01	
EPSDT Screening	272		80.95	
Family Planning	30	4	1.24	0.19
Hearing Aid	1	0	1.70	0.31
Medical Supplies	189	256	24.30	42.01
Optometric Services	25	19	2.55	1.84
Other Care Services	215	129	20.88	28.96
Other Practitioner Services	13	5	0.43	0.18
Pharmacy	1,357	580	86.39	77.43
Prescription Drugs	242	292	37.11	76.55
Rural Health Services	22	0	0.26	0.01
Screening Mammogram	1	1	0.03	0.03
Sterilization	6	5	1.61	1.40
Grand Total	5,666	4,084	859.89	1,190.72
PMPM values			71.66	99.23
Total FY dollars			23,689,997	13,639,737
2005 Medicaid HMO Values		PMPM		
10.0%		107.14		
25.0%		140.60		
50.0%		171.38		
75.0%		197.53		
90.0%		265.49		

MIP - FAS vs All Other-Exhibit 20

Fiscal Year 2005 Data

Type of Service	Claims / 1000		Paid / Elig	
	FAS	All Other	FAS	All Other
Off Island Care	2	52	1.26	87.63
ICF Services	2	92	3.24	230.38
Inpatient Hospital Services	109	133	228.77	345.35
SNF	5	15	25.99	84.57
Outpatient Hospital	212	316	70.67	103.45
HHC	21	87	4.47	18.82
Physician Services	592	1,380	123.92	208.23
Lab and Radiology Services	896	1,441	92.89	198.45
Clinic Services	1	5	0.15	0.69
Dental Services		2		0.18
Family Planning	6	2	0.29	0.11
Hearing Aid	0	1	0.20	0.39
Medical Supplies	143	343	11.46	65.52
Optometric Services	8	27	0.77	2.67
Other Care Services	57	185	12.98	41.26
Other Practitioner Services	2	8	0.07	0.26
Pharmacy	260	827	10.06	129.28
Prescription Drugs	175	383	52.34	95.19
Rural Health Services	0	0	0.01	0.01
Screening Mammogram	1	1	0.04	0.02
Sterilization	10	2	2.52	0.53
	2,503	5,301	642.10	1,612.97
PMPM values			53.51	134.41
Total Dollars			3,198,960	10,440,777

Exhibit 21 - OON Statistics

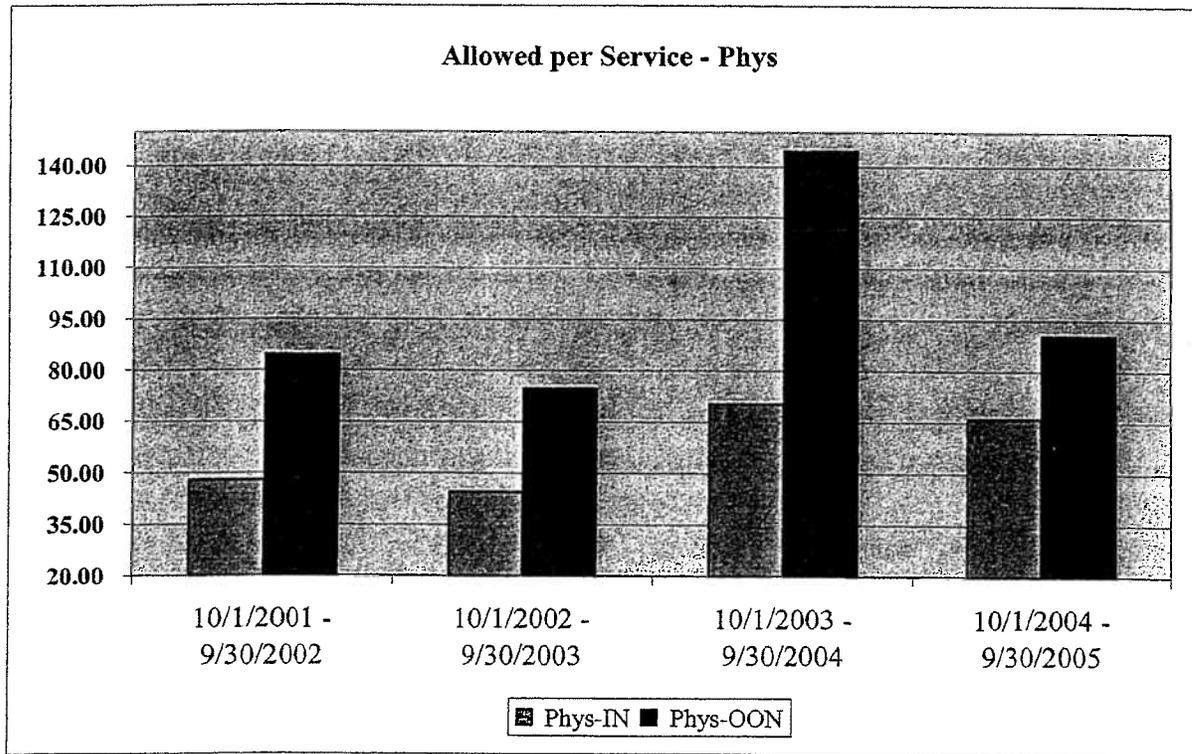
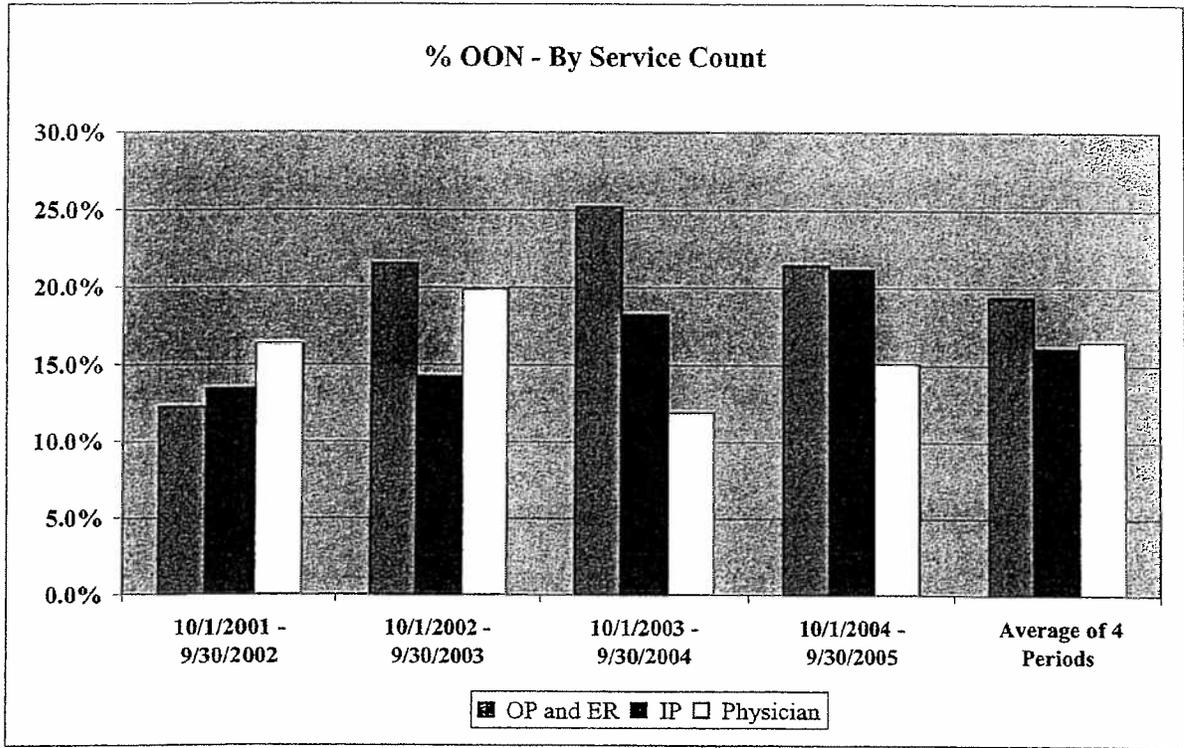


Exhibit 21 - OON Statistics

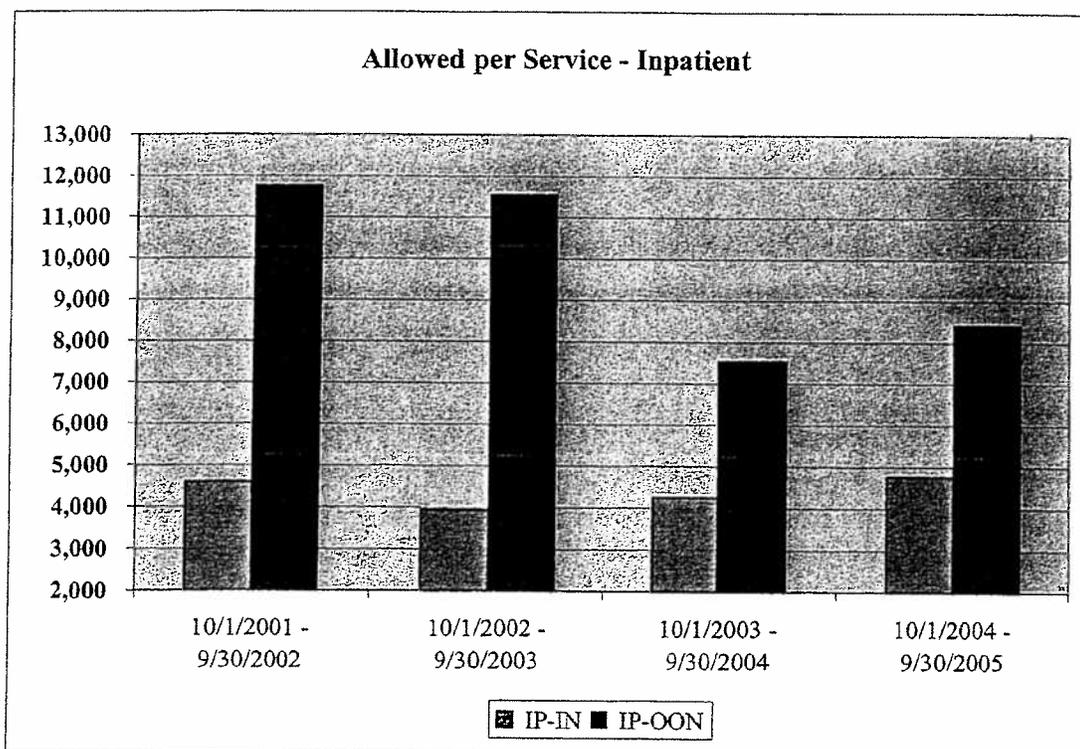
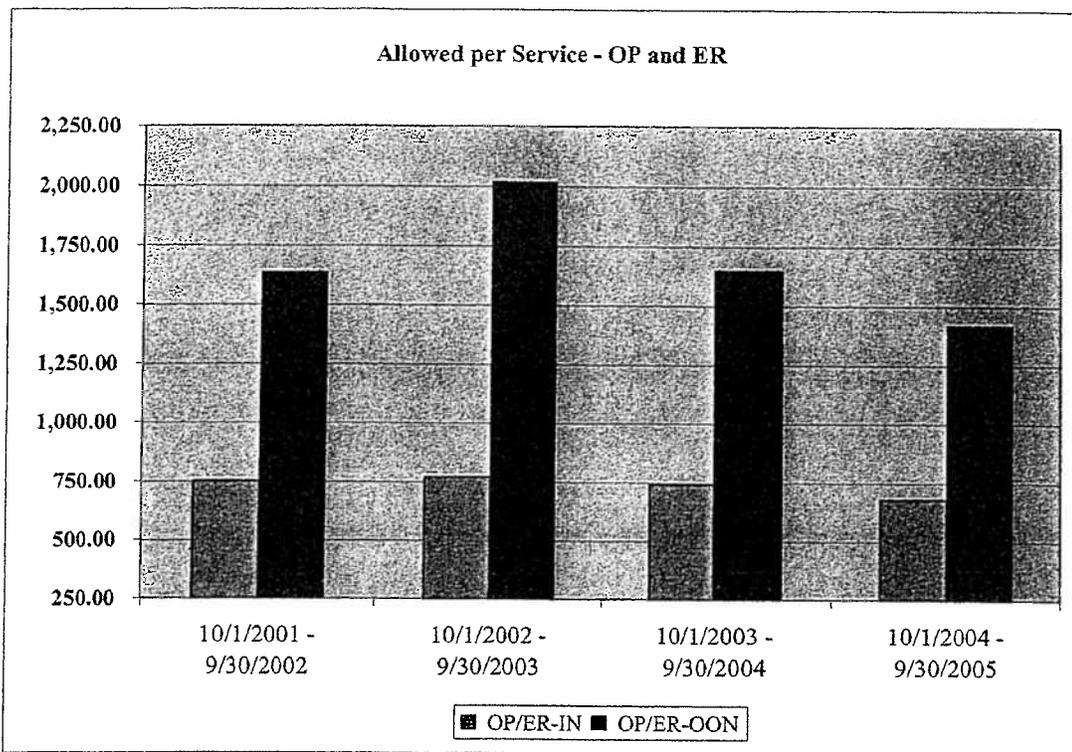


Exhibit 22 - Combine Emp and MIP

Combining State Emp Plan with MIP - Assuming only one carrier and one benefit plan.
 Will assume that actives and retirees pay same rate

SW = StayWell SC = SelectCare

Projected State Plan Costs (for year ending Sep-2007)

	SW Silver	SW HDHP	SC Phil 1000	SC HDHP	MIP	Total Monthly Expenses
Members	947	14,099	1,057	3,900	11,455	31,458
CURRENT						
Actual Premium PMPM	731.83	120.82	123.56	113.07	110.45	4,233,280
Needed Premium PMPM	532.09	147.04	144.51	173.21	110.45	4,670,441
The actual premium is less than the needed premium projected by Lewis & Ellis.						
Projected Claims PMPM	415.03	114.69	110.55	132.51	110.45	3,908,854
Admin expense PMPM per Carrier (uses actual premium to determine)	161.00	26.58	29.04	26.57		661,562
PROPOSED						
Projected Claims PMPM-single plan \$1000 Ded	133.07	133.07	112.93	113.52	110.45	3,829,450
Admin at 11% of combined program premium	16.45	16.45	13.96	14.03		316,936
Total cost (claims plus admin) combined program						4,146,386
Savings (monthly) versus current premium						86,894
Annual savings						1,042,730
Savings (monthly) versus needed premium						524,056
Annual savings						6,288,668

There is still savings versus the current premium even though it is less than our projected needed premium.
 Savings will be greater in FY 2008 as carriers raise premium rates to needed levels (minimum increase of 10%). Close to needed level.



Taling M. Taitano
Interim Superintendent of Education

DEPARTMENT OF EDUCATION PERSONNEL SERVICES DIVISION

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P.O. Box D.E., Hagatña, Guam 96932
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Antonette Muña Santos
Administrator Personnel

March 09, 2012

The Honorable V.C. Pangelinan
Chairman, Committee on Appropriations, Taxation, Public Debt Banking,
Insurance, Retirement & Land

31th Guam Legislature
Suite 104, 155 Hesler Place
Hagatna, GU 96910

**RE: Bill No. 435-31 (COR) - Testimony
Negotiating and Procuring Health Insurance Services for the Government of Guam**

Dear Senator Pangelinan,

Hafa Adai! I write in support of this important legislation that requires the Negotiating Team to enter into negotiations with all Health Insurance Providers submitting a qualified proposal for health insurance coverage for qualified active employees and qualified retirees of the government of Guam.

Too often, because of high rates, many employees may not elect health care coverage. All plans must cover certain preventive services such as mammograms and colonoscopies without charging a deductible or co-pay. As health insurance cost are likely to continue rising, this important legislation could not have come at better time. Finally, a legislation that will encourage "Competition" amongst Health Insurance Providers.

Requiring negotiations between all RFP qualified respondents would truly foster a competitive market and offer fair value prices and premiums for the cost of health insurance. Having options also provides the opportunity and flexibility for employees to select the right-fit insurance carrier to fit their health needs. This would also open up a wider range of provider networks, where you can be assured that your insurance will be accepted, on a broader level.

Thank you for your attention to this important issue and your commitment to Health Care.

Senseramente,


Antonette Muña Santos

**Bureau of Budget & Management Research
Fiscal Note of Bill No. 435-31 (COR)**

An act to amend Section 4302(c), Article 3, Chapter 4, Title 4 of the Guam Code Annotated, relative to negotiating and procuring health insurance services for the Government of Guam.

Department/Agency Appropriation Information	
Dept./Agency Affected: Department of Administration	Dept./Agency Head: Benita A. Manglona
Department's General Fund (GF) appropriation(s) to date:	29,055,631
Department's Other Fund (Specify) appropriation(s) to date:	6,952,628
Total Department/Agency Appropriation(s) to date:	\$36,008,259

Fund Source Information of Proposed Appropriation			
	General Fund:	(Specify Special Fund):	Total:
FY 2011 Unreserved Fund Balance ¹		\$0	\$0
FY 2012 Adopted Revenues	\$0	\$0	\$0
FY 2012 Appro. (P.L. 31-75 & 31-77)	\$0	\$0	\$0
Sub-total:	\$0	\$0	\$0
Less appropriation in Bill	\$0	\$0	\$0
Total:	\$0	\$0	\$0

Estimated Fiscal Impact of Bill						
	One Full Fiscal Year	For Remainder of FY 2012 (If applicable)	FY 2013	FY 2014	FY 2015	FY 2016
General Fund	\$0	\$0	\$0	\$0	\$0	\$0
(Specify Special Fund)	\$0	\$0	\$0	\$0	\$0	\$0
Total 1/	\$0	\$0	\$0	\$0	\$0	\$0

- Does the bill contain "revenue generating" provisions? / / Yes /X/ No
If Yes, see attachment N/A
- Is amount appropriated adequate to fund the intent of the appropriation? /X/ N/A / / Yes / / No
If no, what is the additional amount required? \$ _____ /X/ N/A
- Does the Bill establish a new program/agency? / / Yes /X/ No
If yes, will the program duplicate existing programs/agencies? /X/ N/A / / Yes / / No
Is there a federal mandate to establish the program/agency? / / Yes / / No
- Will the enactment of this Bill require new physical facilities? / / Yes /X/ No
- Was Fiscal Note coordinated with the affected dept/agency? If no, indicate reason: / / Yes /X/ No
/ / Requested agency comments not received by due date /X/ Other: Time Constraint

Analyst (s): Joe Certeza  Date: 03/14/2012 Director:  Date: MAR 16 2012
John A. Rios, Director

Footnotes:
1/ The Bill has a potential fiscal impact for additional funding requirements. However, in its present form, such impact cannot be determined at this time.



COMMITTEE ON RULES

I Mina'trentai Unu na Liheslaturan Guåhan • The 31st Guam Legislature
155 Hesler Place, Hagåtña, Guam 96910 • www.guamlegislature.com
E-mail: roryforguam@gmail.com • Tel: (671)472-7679 • Fax: (671)472-3547

Senator
Rory J. Respicio
CHAIRPERSON
MAJORITY LEADER

Senator
Judith P. Guthertz
VICE CHAIRPERSON
ASST. MAJORITY LEADER

**MAJORITY
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Judith T. Won Pat

Vice Speaker
Benjamin J. F. Cruz

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Tina Rose Muña Barnes
LEGISLATIVE SECRETARY
MAJORITY WHIP

Senator
Dennis G. Rodriguez, Jr.
ASST. MAJORITY WHIP

Senator
Thomas C. Ada

Senator
Adolpho B. Palacios, Sr.

Senator
vicente c. pangelinan

**MINORITY
MEMBERS:**

Senator
Aline A. Yamashita
ASST. MINORITY LEADER

Senator
Christopher M. Duenas

March 5, 2012

MEMORANDUM

To: Pat Santos
Clerk of the Legislature

Attorney Therese M. Terlaje
Legislative Legal Counsel

From: Senator Rory J. Respicio

Subject: Referral of Bill Nos. 434-31(COR) & 435-31 (COR)

As the Chairperson of the Committee on Rules, I am forwarding my referral of Bill Nos. 434-31 (COR) and 435-31 (COR).

Please ensure that the subject bills are referred, in my name, to the respective committee, as shown on the attachment. I also request that the same be forwarded to all members of *I Mina'trentai Unu na Liheslaturan Guåhan*.

Should you have any questions, please feel free to contact our office at 472-7679.

Si Yu'os Ma'åse!

(2) Attachment

I Mina'Trentai Unu Na Lihestaturan Guahan
Bill Log Sheet

BILL NOS.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	120 DAY DEADLINE	CMTE REFERRED	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	STATUS
435-31 (COR)	v.c. pangelinan, Judith P. Guthertz, DPA, B. J.F.Cruz	AN ACT TO AMEND SECTION 4302(c), ARTICLE 3, CHAPTER 4, TITLE 4 OF THE GUAM CODE ANNOTATED, RELATIVE TO NEGOTIATING AND PROCURING HEALTH INSURANCE SERVICES FOR THE GOVERNMENT OF GUAM.	3/2/12 2:41 p.m.	3/5/12		Committee on Youth, Cultural Affairs, Procurement, General Governmental Operations and Public Broadcasting			



Carlos Pangelinan <carlos.pangelinan@senatorbjcruz.com>

First Notice of Public Hearing- Tuesday March 13, 2012

1 message

Chris Carillo <chris.carillo@senatorbjcruz.com>

Tue, Mar 6, 2012 at 4:31 PM

To: speaker@judiwonpat.com, tom@senatorada.org, senatortonyada@guamlegislature.org, senator@tinamunabarnes.com, frank.blasjr@gmail.com, duenasenator@gmail.com, judiguthertz@gmail.com, senatorsam@senatormabini.com, senbenp@guam.net, cor@guamlegislature.org, senatordrodriguez@gmail.com, senatormana@gmail.com, Aline4families@gmail.com, phnotice@guamlegislature.org, ABPalacios@gmail.com, joshua.tenorio@senatorbjcruz.com, carlos.pangelinan@senatorbjcruz.com, mike.lidia@senatorbjcruz.com, sarah.nededog@senatorbjcruz.com, senator@senatorbjcruz.com

Cc: mindy@kuam.com, sabrina@kuam.com, jason@kuam.com, bmkelman@guampdn.com, dcristostomo@guampdn.com, rgibson@k57.com, therese.hart.writer@gmail.com, thebigshow@k57.com, travis.coffman@gmail.com, janela@mvguam.com, hottips@kuam.com, news@spbguam.com, news@guampdn.com, news@k57.com, parroyo@k57.com, kevin@spbguam.com, clynt@spbguam.com, Krystal Paco <krystal@kuam.com>

Hafa Adai All,

Please See the Attached Public Notice from Vice Speaker Cruz.

March 6, 2012

MEMORANDUM

TO: All Members/All Senators

FROM: Chairman, Committee on Youth, Cultural Affairs, Procurement, General Government Operations and Public Broadcasting

RE: 5 Day Notice of Public Hearing – March 13, 2012

Hafa Adai! Please be advised that the Committee on Youth, Cultural Affairs, Procurement, General Government Operations, and Public Broadcasting will conduct a Public Hearing on Tuesday, March 13, 2012, beginning at 6:00 P.M. in I Liheslaturan’s Public Hearing Room on the following items:

- Bill No. 435-31 (COR) - v.c. pangelinan / J.P. Guthertz, DPA / B.J.F. Cruz- An act to amend Section 4302(c), Article 3, Chapter 4, Title 4 of the Guam Code Annotated, relative to negotiating and

procuring health insurance services for the Government of Guam.

Please provide written testimonies at least one day prior to the hearing to the Office of the Vice Speaker Benjamin J.F Cruz, 155 Hesler Place, Hagatna Guam 96910. They may be sent via facsimile to 477- 2522, or via email to chris.carillo@senatorbjcruz.com.

We comply with Title II of the Americans with Disabilities Act (ADA). Should you require assistance or special accommodations, please contact Chris Carillo at the Office of the Vice Speaker via telephone at 477-2521 or via email at chris.carillo@senatorbjcruz.com.

 **1st notice of Public Hearing 3.13.12.pdf**
65K

Listserv: phnotice@guamlegislature.org

As of Nov. 23, 2011

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wilcastro671@gmail.com



Carlos Pangelinan <carlos.pangelinan@senatorbjcruz.com>

Second Notice of Public Hearing - March 13, 2012

1 message

Chris Carillo <chris.carillo@senatorbjcruz.com>

Sun, Mar 11, 2012 at 11:29 AM

To: speaker@judiwonpat.com, tom@senatorada.org, senatortonyada@guamlegislature.org, senator@tinamunabarnes.com, frank.blasjr@gmail.com, duenasenator@gmail.com, judiguthertz@gmail.com, senatorsam@senatormabini.com, senbenp@guam.net, cor@guamlegislature.org, senatordrodriguez@gmail.com, senatormana@gmail.com, Aline4families@gmail.com, phnotice@guamlegislature.org, ABPalacios@gmail.com, joshua.tenorio@senatorbjcruz.com, carlos.pangelinan@senatorbjcruz.com, mike.lidia@senatorbjcruz.com, sarah.nededog@senatorbjcruz.com, senator@senatorbjcruz.com, Chris Carillo <chris.carillo@senatorbjcruz.com>
Cc: mindy@kuam.com, sabrina@kuam.com, jason@kuam.com, bmkelman@guampdn.com, dcristostomo@guampdn.com, rgibson@k57.com, therese.hart.writer@gmail.com, thebigshow@k57.com, travis.coffman@gmail.com, janela@mvguam.com, hottips@kuam.com, news@spbguam.com, news@guampdn.com, news@k57.com, parroyo@k57.com, kevin@spbguam.com, clynt@spbguam.com, Krystal Paco <krystal@kuam.com>

Hafa Adai All,

Please see the attached notice from Vice Speaker Cruz.

March 11, 2012

MEMORANDUM

TO: All Members/All Senators

FROM: Chairman, Committee on Youth, Cultural Affairs, Procurement, General
Government Operations and Public Broadcasting

RE: 48 Hour Notice of Public Hearing – March 13, 2012

Hafa Adai! Please be advised that the Committee on Youth, Cultural Affairs, Procurement, General Government Operations, and Public Broadcasting will conduct a Public Hearing on Tuesday, March 13, 2012, beginning at 6:00 P.M. in I Liheslaturan's Public Hearing Room on the following items:

· Bill No. 435-31 (COR) - v.c. pangelinan / J.P. Guthertz, DPA / B.J.F. Cruz- An act to amend Section 4302 (c), Article 3, Chapter 4, Title 4 of the Guam Code Annotated, relative to negotiating and procuring health insurance services for the Government of Guam.

Please provide written testimonies at least one day prior to the hearing to the Office of the Vice Speaker Benjamin J.F Cruz, 155 Hesler Place, Hagatna Guam 96910. They may be sent via facsimile to 477- 2522, or via email to chris.carillo@senatorbjcruz.com.

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 **second notice of public hearing 3.13.2012.doccorrected.doc**
163K

SENATOR BENJAMIN J.F. CRUZ, VICE SPEAKER
Chairman, Committee on Youth, Cultural Affairs, Procurement,
General Government Operations, and Public Broadcasting.
Web Address: www.senatorbjcruz.com



I MINA'TRENTAI UNO NA LIHESLATURAN GUAHAN
The 31st Guam Legislature • senator@senatorbjcruz.com
155 Hesler Place, Hagatna, Guam 96910
Telephone: (671) 477-2520/1 • Fax: (671) 477-2522

PUBLIC HEARING AGENDA

NOTICES WERE DISSEMINATED VIA EMAIL ON

3/6/2012 and 3/11/2012

6:00 P. M.

Bill No. 435-31 (COR) - v.c. pangelinan / J.P. Guthertz, DPA / B.J.F. Cruz- “An act to *amend* Section 4302(c), Article 3, Chapter 4, Title 4 of the Guam Code Annotated, relative to negotiating and procuring health insurance services for the Government of Guam.”



COMMITTEE ON RULES

I Mina'trentai Unu na Liheslaturan Guåhan • The 31st Guam Legislature
155 Hesler Place, Hagåtña, Guam 96910 • www.guamlegislature.com
E-mail: roryforguam@gmail.com • Tel: (671)472-7679 • Fax: (671)472-3547

Handwritten notes:
2012-03-19 10:00 AM
WMM

Senator
Rory J. Respicio
CHAIRPERSON
MAJORITY LEADER

March 19, 2012

Senator
Judith P. Guthertz
VICE CHAIRPERSON
ASST. MAJORITY LEADER

MEMORANDUM

MAJORITY MEMBERS:

Speaker
Judith T. Won Pat

To: Patricia C. Santos
Clerk of the Legislature

Vice Speaker
Benjamin J. F. Cruz

From: Senator Rory J. Respicio 
Subject: Supplement to Committee Report
Substitute Bill No. 435-31 (COR)

Senator
Tina Rose Muña Barnes
LEGISLATIVE SECRETARY
MAJORITY WHIP

Hafa Adai!

Senator
Dennis G. Rodriguez, Jr.
ASST. MAJORITY WHIP

Transmitted herewith is a memo from Senator vicente (ben) c. pangelinan, Chairperson, Committee on Appropriations, Taxation, Public Debt, Banking, Insurance, Retirement and Land, forwarding additional testimony on Substitute Bill No. 435.

Senator
Thomas C. Ada

Please include this memo and the attachment as a "Supplement" to the Committee Report on Substitute Bill No. 435-31 (COR).

Senator
Adolpho B. Palacios, Sr.

Senator
vicente c. pangelinan

Please make the appropriate indication in your records; and forward to MIS for posting on our website. I also request that the same be forwarded to all Senators of *I Mina'trentai Unu na Liheslaturan Guåhan*.

MINORITY MEMBERS:

Senator
Aline A. Yamashita
ASST. MINORITY LEADER

Si Yu'os ma'åse'!

Senator
Christopher M. Duenas



COMMITTEE ON RULES

I Mina'trentai Unu na Libeslaturan Guåhan • The 31st Guam Legislature
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Senator
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Senator
vicente c. pangelinan

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Senator
Aline A. Yamashita
ASST. MINORITY LEADER

Senator
Christopher M. Duenas

Supplement to the Committee Report on Substitute Bill No. 435-31 (COR)

**"AN ACT TO AMEND SECTION 4302(c),
ARTICLE 3, CHAPTER 4, TITLE 4 OF THE
GUAM CODE ANNOTATED, RELATIVE TO
NEGOTIATING AND PROCURING HEALTH
INSURANCE SERVICES FOR THE
GOVERNMENT OF GUAM."**

*NOTE: The original Committee Report on
Substitute Bill No. 435-31 (COR)
was filed on March 16, 2012.



I Mina'trentai Unu Na Liheslaturan Guåhan

Senator Vicente (ben) Cabrera Pangelinan (D)

March 19, 2012

Memorandum

To: Senator Rory Respicio
Chairman, Committee on Rules

From: Senator Vicente (ben) Cabrera Pangelinan 

Re: Testimony

Chairman
Committee on Appropriations,
Taxation, Public Debt, Banking,
Insurance, Retirement, and
Land

Vice Chairman
Committee on Education

Member
Committee on Rules,
Federal, Foreign &
Micronesian Affairs and
Human & Natural
Resources

Member
Committee on
Municipal Affairs,
Tourism, Housing, and
Recreation

Member
Committee on the Guam
Military Buildup and
Homeland Security

Member
Committee on Health and
Human Services, Senior
Citizens, Economic
Development, and Election
Reform

Please find attached a testimony from Ms. Paula Blas, Director of the Government of Guam Retirement Fund (GGRF) on Bill No. 435-31. The letter was sent to our office on Friday, March 16, 2012.

Bill No 435-31 has been filed with COR and this memo is to request that the testimony from GGRF be included into the committee report.

Si Yu'os Ma'ase.


GOVERNMENT OF GUAM
RETIREMENT FUND
STABILITY · SECURITY · REWARDS

Eddie Baza Calvo
Governor

Ray Tenorio
Lieutenant Governor

Paula M. Blas
Director

Trustees:

Joe T. San Agustin
Chairman

Wilfred P. Leon Guerrero, Ed.D.
Vice-Chairman
Investment Committee, Chairman

Antolina S. Leon Guerrero
Secretary

Gerard A. Cruz
Treasurer
Audit & Operations Committee,
Chairman

George A. Santos
Members' & Benefits Committee,
Chairman

Katherine T.E. Taitano
Trustee

Wilfred G. Aflague
Trustee

March 16, 2012

**GOVERNMENT OF GUAM RETIREMENT FUND
COMMENTS ON BILL 435-31**

The Director of the Government of Guam Retirement Fund (the "Fund") hereby submits comments to Bill 435-31.

I. BILL 435-31 (COR)

The Legislative intent of Bill 435-31 is to amend Section 4302(c), of Title 4 to include an additional member to the Government of Guam Health Insurance Negotiating Team; and further to require the Negotiating Team to negotiate "with all Health Insurance Providers submitting a qualified proposal for health insurance coverage for qualified active employees and qualified retirees of the government of Guam."

II. COMMENTS

The Fund hereby submits its comments as an interested party to Bill 435-31 by virtue of the fact that the Director of the Fund is mandated by law to sit as a member of the negotiating team representing the interests of the retirees of the government of Guam.

- A. Inclusion of an additional member of the general public, appointed by the *Maga'låhen Guahån* who is not an employee of the government of Guam or an appointee by the *Maga'låhen Guahån* to any government agency, board or commission.

The Fund believes that further review is required prior to passage to further clarify the qualification and or limitations on the appointment of the member of the general public to the Guam Negotiating Health Insurance Negotiating Team. For instance, Bill 435-31 does not define the term "member of the general public" which is a broad term that has the potential to create a conflict of interest in the procurement of the health insurance contract. Specifically, Bill 435-31 does not provide for any limitations or qualifications for the member of the general public.

Unlike the current members of the Negotiating Team, the question is whether the "member of the general public" is subject to the same ethical standards as the government employees as codified in Chapter 15, of Title 4 of the Guam Code Annotated, also known as the Standard of Conduct for Elected Officers, Appointed Officers, and Public Employees of the Government of Guam.

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For example, while employees of the government of Guam are subject to 4 G.C.A. § 15205, which states that no employee shall take any official action directly affecting: (1) business or other undertaking in which the employee has a financial interest; or (2) private undertaking in which the employee is engaged as legal counsel, advisor, consultant, representative, or other agency capacity; the legislation is silent on whether a member of the general public is also precluded from taking any official action of contracting with health insurance providers.

Additionally, the statute states, that "no employee shall disclose information which is considered a private document by existing law, and which the employee acquires in the course of official duties, or use the information for personal gain or for the benefit of someone else." 4 G.C.A. § 15203. There is no doubt that during the negotiation process, confidential information will be readily available to the members of the negotiating team. The issue is whether the member general public will also be held to this standard; again, Bill 435-31 is silent.

Without further clarification, the Negotiating Team may include a member of the public that is held to a different standard than the other members of the Negotiating Team, and may quite possibly present an opportunity for a potential challenge to the contract.

- B. Notwithstanding any other provision of law, each Fiscal Year, the Negotiating Team shall enter into negotiations with all Health Insurance Providers submitting a qualified proposal for health insurance coverage for qualified active employees and qualified retirees.

Again, the Fund believes that further clarification is required prior to the passage of Bill 435-31 to clarify any issues that may be in conflict with the Guam Procurement Act and Guam Administrative Rules and Regulations as codified in Chapter 5, of Title 5 of the Guam Code Annotated and Title 2 Chapter 3 of the Guam Administrative Rules and Regulations, respectively.

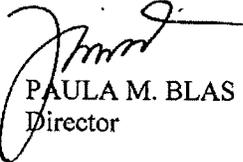
First, this amendment is contrary to Guam Procurement Act and the relevant Guam Administrative Rules and Regulations. The current statute requires the use of the "Request for Proposal" method of selection for the health insurance contract. Under 2 G.A.R. §3114(j), it mandates the head of the procuring agency rank the qualified offerors based on the offerors' qualification ranking. The "best" offeror must then submit its cost or pricing data prior to negotiations. 2 G.A.R. § 3114(k). The agency must then only negotiate with the "best" offeror and only upon a failure to negotiate with the "best" offeror will the agency be able to negotiate with the next best offeror. Bill 435-31 proposes to disregard the Procurement Act and the Guam Administrative Rules and Regulations.

Second, 4 G.C.A. § 4302(c)(1), mandates the Director of Administration to plan and implement, "an expanded competitive Request for Proposal" process. The statute and the rules and regulations do not define the term "expanded competitive RFP." As a result, the members of the negotiating team do not have the proper guidance as to how to proceed. At this point, the only guidance exists in the procurement statute and the relevant rules and regulations.

Without further clarification, the conflict between the statutes may quite possibly open the gates to multiple protests and delays in the procurement of the Government of Guam Health Insurance Contract.

III. SUMMARY OF DIRECTOR COMMENTS ON BILL 435-31.

At this time the Fund does not take an official position to Bill 435-31; rather, provides comments that it believes requires further discussion and or review by the Guam Legislature prior to acting on the Bill. As a member of the Guam Health Insurance Contract Negotiating Team, the Fund takes its responsibility in representing the government of Guam employees and retirees seriously, and as such takes the stance that any proposed legislation affecting the health insurance benefits for government of Guam retirees should be made in a clear and concise manner.



PAULA M. BLAS
Director

2012 FEB 24 5:41 PM
MUN

I MINA'TRENTAI UNU NA LIHESLATURAN GUÅHAN
2012 (SECOND) Regular Session

Bill No. 435-31 (COV)

Introduced by:

V.C. Pangelinan 
J.P. Guthertz 
B.J.F. Cruz 

AN ACT TO AMEND SECTION 4302(c), ARTICLE 3, CHAPTER 4, TITLE 4 OF THE GUAM CODE ANNOTATED, RELATIVE TO NEGOTIATING AND PROCURING HEALTH INSURANCE SERVICES FOR THE GOVERNMENT OF GUAM.

BE IT ENACTED BY THE PEOPLE OF GUAM:

1 **Section 1.** Section 4302(c), Article 3, Chapter 4, Title 4 of the Guam Code
2 Annotated is hereby *amended* to read as follows:
3 “(c) The Government of Guam Health Insurance Negotiating Team shall
4 consist of the Director of Administration, who *shall* be Chairperson; the
5 Administrator of the Department of Integrated Services for Individuals with
6 Disabilities (DISID), or his or her designee; the Director of the Bureau of Budget
7 and Management Research, or his or her designee; an employee representative
8 from the Judicial Branch to be appointed by the Chief Justice of the Supreme Court
9 of Guam; an employee representative of the Legislative Branch to be appointed by
10 the Speaker of *I Liheslaturan Guåhan*; the Superintendent of the Department of
11 Education, or his or her designee; the Director of the Government of Guam
12 Retirement Fund, or his or her designee; a retiree who is a member of the
13 Government of Guam Retirement Fund to be appointed by the Board of Trustees of
14 the Government of Guam Retirement Fund; one (1) member of the general public,
15 appointed by *I Maga'låhen Guåhan* who is not an employee of the government of

1 Guam or an appointee by the Governor to any government agency, board or
2 commission; the Chairperson of the Committee on Health or the successor
3 committee of *I Liheslaturan Guåhan*, or his or her designee, who shall sit as an ex-
4 officio non-voting member; and the Chairperson of the Committee on
5 Appropriations, or the successor committee of *I Liheslaturan Guåhan*, or his or her
6 designee, who shall sit as an ex-officio non-voting member. The Negotiating Team
7 *shall* examine the financial information of the prepaid health insurance companies,
8 health care providers or other legal entities for the purpose of developing the most
9 economical and beneficial health plan for the Government of Guam employees and
10 retirees. The Negotiating Team may obtain technical support from other financial
11 and health-related agencies. The Negotiating Team *shall* develop its rules of
12 procedure in accordance with the Administrative Adjudication Law. The
13 Negotiating Team with the approval of *I Maga'låhi* is authorized to contract an
14 actuary competent to develop proposed health insurance rates or other recognized
15 expert to train and/or advise the Negotiating Team. Notwithstanding any other
16 provision of law, each Fiscal Year, the Negotiating Team shall enter into
17 negotiations with all Health Insurance Providers submitting a qualified proposal
18 for health insurance coverage for qualified active employees and qualified retirees
19 of the government of Guam.”

20 **Section 2. Severability.** If any provisions of this Act or the application
21 thereof to any person or circumstance is held invalid, such invalidity *shall* not
22 affect any other provision or application of this Act which can be given effect
23 without the invalid provision or application, and to this end the provisions of this
24 Act are severable.

25
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