

I MINA' TRENTAI UNU NA LIHESLATURAN GUÅHAN  
2012 (SECOND) REGULAR SESSION

Bill No. 513/3 513-31 (COR)  
Introduced by:

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“AN ACT TO PROVIDE HEALTH INSURANCE TO  
GOVERNMENT OF GUAM EMPLOYEES AND  
RETIRES FOR FISCAL YEAR 2013”

BE IT ENACTED BY THE PEOPLE OF GUAM:

1       **SECTION 1. Legislative Intent.** *I Liheslaturan Guåhan* finds that  
2 the FY2013 Guam Health Insurance Program (GHIP) procurement is in  
3 jeopardy of month to month procurement due to protests related to missteps  
4 by the Government of Guam Negotiations Team (GGNT) and the Attorney  
5 General’s Office (AGO) and potential protests under a reissuance of another  
6 Request for Proposal (RFP) under identical rules or in the absence of more  
7 particular rules.

8       *I Liheslaturan Guåhan* finds that the initial protest filed in the  
9 FY2013 GHIP procurement by Takecare Insurance occurred on August 8,

1 employers. Calvo's Selectcare responded affirmatively to the request on  
2 August 16, 2012. Over one (1) month after its initial filing, the Takecare  
3 Insurance (Takecare) protest was accepted by the GGNT which requires the  
4 cancellation and re-solicitation of the FY2013 GHIP contract.

5 *I Liheslaturan Guåhan* finds that invoking the HIPAA guaranteed  
6 renewability provision is an emergency procurement which based on Guam  
7 law is restricted to awarding monthly purchase orders for the GHIP.  
8 Monthly procurement of medical and dental insurance is costly and  
9 inefficient and is not the preferred method of securing insurance for the  
10 employees and retirees of the GHIP. The temporary renewal of the GHIP  
11 contract with Calvo's Selectcare may also subject government employees  
12 and retirees to lose credit for any payments toward deductibles when a new  
13 contract is procured.

14 *I Liheslaturan Guåhan* finds that the FY2013 GHIP Procurement No.  
15 DOA/HR-RFP-GHI-13-001 resulted in very competitive proposals from  
16 Island Home Insurance (Staywell), SelectCare, Takecare and Aetna  
17 International Insurance, represented by Netcare Life and Health Insurance  
18 (Netcare).

19 All proposals would give the government and its employees and  
20 retirees a significant reduction in premiums than the current carrier's  
21 proposed rates and might have allowed Government of Guam employees  
22 and retirees the right to choose from more than one (1) insurance option.

23 *I Liheslaturan Guåhan* finds that the most recent medical and dental  
24 claims submitted by Calvo's Selectcare to *I Liheslaturan Guåhan* on August  
25 14, 2012 contain all paid claims between October 1, 2011 and June 30, 2012  
26 or nine (9) months of actual data for the current FY2012 contract. The  
27 Office of Finance and Budget (OFB) performed an analysis of the submitted

1 data using insurance industry standard underwriting tools and concluded that  
2 the GHIP is projected to overpay premiums totaling more than Ten Million  
3 Dollars (\$10,000,000) above the cost of services provided for the second  
4 year in a row.

5 *I Liheslaturan Guåhan* finds that the actual loss ratio for FY2011  
6 equaled sixty percent (60%) and the projected loss ratio for FY2012 is  
7 seventy percent (70%). Both loss ratios are far below the eighty-five percent  
8 (85%) threshold required in the Section 2718 provision of the Patient  
9 Protection and Affordable Care Act (PPACA).

10 *I Liheslaturan Guåhan* finds that the Government of Guam is not in a  
11 surplus cash position where it can afford to continue to overpay annual  
12 medical and dental premiums in excess of \$10 million dollars a year. This  
13 takes income out of government employees and retirees pockets every pay  
14 period creating hardship for families as well as presenting unnecessary  
15 financial burden on the government.

16 *I Liheslaturan Guåhan* finds that the optimal approach for the GHIP  
17 to purchase coverage for its eligible employees and retirees is to use health  
18 insurance underwriting rating tools and the historical claims data to develop  
19 the required projected premiums for the GHIP at an eight five percent (85%)  
20 loss ratio.

21 *I Liheslaturan Guåhan* finds that upon the direction of *I Liheslaturan*  
22 *Guåhan*, the OFB utilized health insurance industry standard methodologies  
23 and tools with the most recent twelve months of claims data and trended the  
24 data for fifteen months which resulted in total required premiums of Sixty  
25 Five Million Two Hundred Eleven Thousand Six Hundred Seventy Four  
26 Dollars (\$65,211,674) for the existing medical and dental plans for FY2013.

1            *I Liheslaturan Guáhan* finds that the projected required premium for  
2 FY2013 results in a savings of Eight Million Three Hundred Ninety Four  
3 Thousand Five Hundred Thirty Seven Dollars (\$8,394,537) when compared  
4 to the current FY2012 contract.

5            *I Liheslaturan Guáhan* further finds that due to the urgency of time to  
6 complete the FY2013 GHIP procurement, a simplified procurement process  
7 is required. On August 22, 2012 a roundtable discussion was held to discuss  
8 the procurement of medical and dental insurance with members of *I*  
9 *Liheslaturan Guáhan*, Staywell, Takecare, Netcare and Calvo's Selectcare.  
10 The discussion focused in depth on the procurement process used for the  
11 Federal Employees Health Benefits Plans (FEHB). Both Takecare and  
12 Calvo's Selectcare discussed the ease of the FEHB process with respect to  
13 submitting annual pricing proposals for covering federal employees and  
14 annuitants.

15            *I Liheslaturan Guáhan* finds that the FEHB procurement resembles a  
16 sealed bid process where pricing proposals are submitted by each eligible  
17 vendor and accepted unconditionally if no objectionable pricing assumptions  
18 or obvious data errors are detected by the Office of Personnel Management  
19 contract specialists and its actuaries. The basis of choice available to federal  
20 employees is determined by the price and perceived quality of the product  
21 and service offered by each vendor. This type of arrangement promotes  
22 maximum competition resulting in the best price and products for the FEHB.

23            Dr. Robert E. Moffit, a senior fellow in domestic and economic policy  
24 studies at the Heritage Foundation who specializes in health care cites the  
25 FEHB program as "historically achieving superior performance in cost  
26 control" by incorporating "fundamental market principles of real consumer  
27 choice, genuine competition, and light and reasonable regulation," the result

1 of which is “to deliver high quality health care and high levels of consumer  
2 satisfaction.”

3 *I Liheslaturan Guåhan* finds that the resulting financial burden to the  
4 Government of Guam and its employees and retirees resulting from  
5 extending the FY2012 GHIP benefits and rates is unacceptable and requires  
6 *I Liheslaturan Guåhan* to intercede by introducing a solution that 1) lowers  
7 the current cost of the GHIP contract; 2) provides multiple choices of  
8 insurance providers and 3) does not present opportunities to continue to  
9 delay the GHIP procurement through the failures of the GGNT and the AGO  
10 or the protests resulting from the dissatisfaction of any vendor over the  
11 results of the process.

12 *I Liheslaturan Guåhan* further finds that an invitation to bid that  
13 requires all bidders to submit its best and final offer at a sealed bid opening  
14 is the most prudent and best method to award GHIP contracts for FY2013.  
15 There are less than three weeks before the end of the current GHIP contract  
16 and therefore restarting the existing procurement process is futile to achieve  
17 a realistic solution that provides lower cost health care and more choices to  
18 GHIP employees and retirees.

19 *I Liheslaturan Guåhan* finds that the FEHB uses a similar process to  
20 the solution presented and *I Liheslaturan Guåhan* is committed to  
21 implementing fundamental market principles of real consumer choice,  
22 genuine competition, and light and reasonable regulation as means to an  
23 expedient and market driven procurement of medical and dental insurance in  
24 FY2013.

25 **SECTION 2. Invitation to Bid for the Government of Guam**  
26 **Health Insurance Program for Fiscal Year 2013.** Notwithstanding any  
27 other provision of law, the procurement of medical and dental insurance for

1 government of Guam employees and retirees for Fiscal Year 2013 shall  
2 conform to the competitive sealed bidding procedures set forth in this  
3 section.

4 (A) The GGNT and the Chief Procurement Officer of the  
5 government of Guam (CPO) shall issue an invitation to bid (ITB) for  
6 medical and dental insurance for government of Guam employees and  
7 retirees immediately. Any other previous procurement solicitations for  
8 government of Guam FY2013 medical and dental insurance prior to  
9 enactment of this Act shall be cancelled and reissued pursuant to this  
10 Act.

11 (B) The CPO shall serve as the Chairperson of the GGNT.  
12 All actions related to the ITB shall occur in meetings announced by  
13 the CPO and must comply with the Open Government Law of Guam.  
14 All meetings shall be recorded and no actions related to the ITB shall  
15 be considered privileged, including legal advice provided to the  
16 GGNT and CPO. The invitation to bid (ITB) shall:

17 (1) solicit medical and dental insurance for the period  
18 October 1, 2012 through September 30, 2013;

19 (2) be announced in publications of general circulation  
20 in Guam but not be required to be announced in top  
21 publications nationally and in leading publications  
22 internationally; and

23 (3) require all responses to the ITB by prospective  
24 bidders be submitted at a predetermined meeting date and time,  
25 no later than ten (10) days after the initial publication of the  
26 solicitation of the ITB. At the same meeting, the bids will be  
27 unsealed by the CPO in the presence of a quorum of the GGNT

1           and the names of all bidders and the amounts of their bids shall  
2           be entered in the minutes. The GGNT and the CPO shall  
3           unconditionally accept all bids and award a contract to all  
4           bidders that meet the requirements in Section 4 of this Act.

5           **SECTION 3. Invitation to Bid Requirements.** Notwithstanding any  
6           other provision of law, the procurement of medical and dental insurance for  
7           Government of Guam employees and retirees for Fiscal Year 2013 shall  
8           conform to the requirements set forth in this section.

9           (A) The Medical and Dental plans offered by all bidders shall  
10          provide the same benefits and levels of coverage consistent with the  
11          Schedules of Benefits in Exhibit R of Procurement No. DOA/HR-  
12          RFP-GHI-13-001 inclusive of the wellness benefit that meets the  
13          requirements outlined in Exhibit 2. Bidders may opt to cover items  
14          that are listed as exclusions in Exhibit R of Procurement No.  
15          DOA/HR-RFP-GHI-13-001. A formal request to cover any excluded  
16          items shall be included as part of the sealed bid and are subject to the  
17          approval of the CPO and GGNT.

18          (B) The medical and dental plans shall use the following  
19          subscriber tiers and weighting of premiums:

- |  |     |
|--|-----|
| 20                   (1) Employee/Retiree Only           | 1.0 |
| 21                   (2) Employee/Retiree and Spouse     | 2.2 |
| 22                   (3) Employee/Retiree and Child(ren) | 1.8 |
| 23                   (4) Employee/Retiree and Family     | 3.0 |

24          (C) The monthly government contribution for the medical  
25          and dental plans shall be applied uniformly to all bidders awarded a  
26          contract and shall equal the following amount by tier by plan by  
27          subscriber. If any plan's monthly government contribution in any tier

1 exceeds the total monthly premium for said tier then the monthly  
2 government contribution shall decrease for said tier such that the  
3 government contribution for said tier equals the total monthly  
4 premium.

5 (1) Employee/Retiree Only

6	i. HSA2000	Active	\$131.83
7	ii. 1500 Deductible	Active	\$200.79
8	iii. HSA2000	Retiree	\$343.34
9	iv. 1500 Deductible	Retiree	\$623.78
10	v. Dental	Active & Retiree	\$17.73

11 (2) Employee/Retiree and Spouse

12	i. HSA2000	Active	\$210.94
13	ii. 1500 Deductible	Active	\$390.85
14	iii. HSA2000	Retiree	\$676.25
15	iv. 1500 Deductible	Retiree	\$1321.45
16	v. Dental	Active & Retiree	\$21.12

17 (3) Employee/Retiree and Child(ren)

18	i. HSA2000	Active	\$172.58
19	ii. 1500 Deductible	Active	\$319.80
20	iii. HSA2000	Retiree	\$553.29
21	iv. 1500 Deductible	Retiree	\$1,081.20
22	v. Dental	Active & Retiree	\$17.29

23 (4) Employee/Retiree and Family

24	i. HSA2000	Active	\$287.64
25	ii. 1500 Deductible	Active	\$532.99
26	iii. HSA2000	Retiree	\$922.12
27	iv. 1500 Deductible	Retiree	\$1801.99



1 v. Dental Active & Retiree \$28.80

2 (D) The total monthly premium rates for retirees for all plans  
3 shall equal exactly 2.5x the premium rates of Active employees.

4 (E) The total monthly premiums of the 1500 Deductible plan  
5 shall equal exactly 2x the premium rates of the HSA2000 plan.

6 (F) The Government shall contribute Seven Hundred Fifty  
7 Dollars (\$750.00) to single subscribers [tier] and Fifteen Hundred  
8 Dollars (\$1500.00) for all other subscribers [tiers] who elect the  
9 HSA2000 plan provided the subscriber has a Health Savings Account  
10 pursuant to 26 U.S.C. Section 223(d), as amended. The government  
11 shall distribute the contribution amount to eligible Health Savings  
12 Accounts in two equal installments with a pay date 30 days after the  
13 start of the plan year and a pay date 180 days after the start of the plan  
14 year.

15 (G) The calculation of medical and dental premiums in  
16 Section 4(D) of this Act shall use the July 2012 enrollment data  
17 submitted as an official message to *Li heslaturan Guåhan* registered  
18 as document *31GL-12-1751*. The SC2000 plan shall be the equivalent  
19 of the HSA2000 and the SC1500 plan shall be the equivalent of the  
20 1500 Deductible for the purposes of calculating premiums in the ITB.

21 (H) The Group Health Insurance Agreements (Contracts) for  
22 the HSA2000, 1500 Deductible and Dental plans shall be exactly the  
23 same for all successful bidders with the exception separate Articles for  
24 each vendor for rates and miscellaneous provisions. The Contracts  
25 shall be included in the Invitation to Bid and shall only be subject to  
26 change based on requests of each vendor for the miscellaneous

1 provisions Article submitted at the pre-bid conference required in  
2 Section 5 of this Act and approved by the GGNT and AGO.

3 (I) The ITB package shall, at the minimum, contain the  
4 following information:

5 (1) Copy of a contract to be executed by all  
6 prospective vendors who participate in the provision of medical  
7 and dental insurance to the government;

8 (2) Electronic Microsoft Excel files containing the  
9 FY2012 GHIP Claims data for the period October 1, 2012 to  
10 June 30, 2012 submitted to the Department of Administration  
11 and Office of Finance and Budget on August 14, 2012;

12 (3) Schedule of Benefits of the dental and medical  
13 plans identified as Exhibit R of Procurement No. DOA/HR-  
14 RFP-GHI-13-001 inclusive of the wellness benefit that meets  
15 the requirements outlined in Exhibit 2; and

16 (4) The Microsoft Excel template "Exhibit 1 –  
17 Required Premium Calculation" for the calculation of the  
18 premium by prospective vendors. Exhibit 1 of this Act shall be  
19 the template included in the (ITB).

20 **SECTION 4. Invitation to Bid Responsiveness.** Notwithstanding  
21 any other provision of law, all bids submitted for medical and dental  
22 insurance for government of Guam employees and retirees for Fiscal Year  
23 2013 conforming to the requirements set forth in this section shall be  
24 responsive.

25 (A) All bidders shall provide a copy of a current Certificate  
26 of Authority issued by the Insurance Commissioner of Guam at the  
27 time of proposal submission.

1 (B) In the event any risks for health is reinsured or  
2 transferred by the offeror to a reinsurance company, the reinsurer that  
3 assumes the risk shall also provide a copy of a current Certificate of  
4 Authority to transact reinsurance business on Guam.

5 (C) All bidders, to include agents, reinsurers and  
6 underwriters, must submit a copy of a current Guam business license.

7 (D) The total annual medical and dental premium calculation  
8 of the bid shall not exceed Sixty Nine Million One Hundred Twenty  
9 Four Thousand Three Hundred Seventy Four Dollars (\$69,124,374).  
10 The calculation shall be derived by multiplying the total number of  
11 subscribers by twelve by the equivalent submitted plan rates. Exhibit  
12 1 of this Act shall be used to calculate the premiums and identify  
13 whether the rates conform to the requirements in Section 3(B), (D)  
14 and (E).

15 (E) All bidders shall submit signed Contracts for the  
16 HSA2000, 1500 Deductible and Dental plans as part of its submitted  
17 sealed bid package.

18 **SECTION 5. Inquiries of Prospective Vendors.** All prospective  
19 vendors shall submit in writing all inquiries relating to the interpretation and  
20 technical details of the ITB at a pre-bid conference meeting exactly five (5)  
21 days after the ITB issuance.

22 At the same meeting, the inquiries will be received by the CPO in the  
23 presence of a quorum of the GGNT. To the maximum extent practicable, all  
24 inquiries will be answered by the CPO and members of the GGNT at the  
25 meeting. In the event the CPO is unable to provide an answer to an inquiry  
26 at the meeting, the CPO shall respond within 48 hours of the meeting to  
27 include contractual miscellaneous provisions approved by the GGNT and the

1 AGO. Copies of all inquiries and responses shall be delivered to all  
2 prospective vendors.

3 **SECTION 6. Binding Offer.** After bid opening, a bidder may not  
4 change the price or any other provision of the bid in a manner prejudicial to  
5 the interests of the governmental body or fair competition. An award on the  
6 bid is a binding contract with terms and conditions that do not vary from the  
7 terms and conditions of the invitation and addenda.

8 **SECTION 7. Severability.** If any provisions of this Law or the  
9 application thereof to any person or circumstance is held invalid, such  
10 invalidity *shall* not affect any other provision or application of this Law  
11 which can be given effect without the invalid provision or application, and to  
12 this end the provisions of this Law are severable.

13

# Exhibit 1 - Required Premium Calculation Government of Guam Health Insurance Program FY2013

Instructions: Enter single rate for 2000HSA Plan in cell [K13] and single rate for Dental in cell [K24]

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]
FY		FY2012					
MONTH		July					
		EE	EE+SP	EE+CHILD(REN)	EE+FAMILY	TOTAL SUBS	TOTAL MEMS
[11]	MEDICAL	6,596	961	1,736	1,774	11,067	21,485
[12]	SC2000	2,732	276	591	667	4,266	7,927
[13]	ACTIVE	1,909	182	553	610	3,254	6,598
[14]	RETIREE	823	94	38	57	1,012	1,329
[15]	SC1500	3,864	685	1,145	1,107	6,801	13,558
[16]	ACTIVE	2,124	317	984	942	4,367	9,993
[17]	RETIREE	1,740	368	161	165	2,434	3,565

[J]	[K]	[L]	[M]	[N]
	EE	EE+SP	EE + CHILD(REN)	EE + FAMILY
MEDICAL				
HSA2000				
A	\$0.00	\$0.00	\$0.00	\$0.00
R	\$0.00	\$0.00	\$0.00	\$0.00
SC1500				
A	\$0.00	\$0.00	\$0.00	\$0.00
R	\$0.00	\$0.00	\$0.00	\$0.00

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]
FY		FY2012					
MONTH		July					
		EE	EE+SP	EE+CHILD(REN)	EE+FAMILY	TOTAL SUBS	TOTAL MEMS
[24]	DENTAL	5,216	666	1,618	1,612	9,112	18,540

[J]	[K]	[L]	[M]	[N]
	EE	EE+SP	EE + CHILD(REN)	EE + FAMILY
DENTAL	\$0.00	\$0.00	\$0.00	\$0.00

### PROJECTED MEDICAL & DENTAL PREMIUM

[A]	[B]	[C]	[D]	[E]	[F]	
		EE	EE+SP	EE + CHILD(REN)	EE + FAMILY	TOTAL
[29]	MEDICAL					
[30]	2000HSA					
[31]	ACTIVE	\$0	\$0	\$0	\$0	\$0
[32]	RETIREE	\$0	\$0	\$0	\$0	\$0
[33]	1500 DEDUCTIBLE					
[34]	ACTIVE	\$0	\$0	\$0	\$0	\$0
[35]	RETIREE	\$0	\$0	\$0	\$0	\$0
[36]	TOTAL MEDICAL	\$0	\$0	\$0	\$0	\$0
[38]	TOTAL DENTAL	\$0	\$0	\$0	\$0	\$0
[40]	TOTAL MEDICAL & DENTAL	\$0	\$0	\$0	\$0	\$0

PREMIUMS BY PLAN TYPE AND LEVEL

## Exhibit 2

**WELLNESS & FITNESS BENEFIT must include at least the following:**

- A) Cardiovascular Training;
- B) Resistance and Strength Training;
- C) Flexibility Training conducted by certified personal trainers;
- D) Regular Group Exercise Classes with options to provide additional classes to organized groups of subscribers upon request;
- E) Monthly Nutrition Classes by certified nutritionists;
- F) Fitness Assessments including Body Mass Index (BMI) by certified personal trainers;
- G) Have the capacity to service large number of subscribers with fitness attendants available at all times to assist subscribers with Cardia Vascular Machines, Circuit Weight Machines, and Free Weight Areas;
- H) Assistance to the physically impaired and meet the laws on equal access and comply with the Americans with Disability Act Regulations;
- I) Provide child care services to subscribers utilizing wellness program facilities;
- J) Hours of operation Monday through Sunday, except for holidays and special events.
- K) Free utilization of any gym facilities per member/per dependent per the plan year as an integral part of the wellness benefit.