



OFFICE OF THE PUBLIC AUDITOR
Doris Flores Brooks, CPA, CGFM
Public Auditor

December 28, 2009

Honorable Judith T. Won Pat, Ed.D.
Speaker
Mina Trenta Na Liheslaturan Guahan
253 West O'Brien Drive
Hagatna, Guam 96910

Dear Speaker Won Pat:

Hafa Adai! Transmitted herewith is OPA Report No. 09-07, Government of Guam's Wellness Benefits. For your convenience, you may also view and download the report in its entirety at www.guamopa.org.

Senseramente,

Doris Flores Brooks, CPA, CGFM
Public Auditor

RECEIPT ACKNOWLEDGED:

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**Department of Administration
Government of Guam's
Wellness Benefits**

**Performance Audit
October 1, 2007 through September 30, 2009**

**OPA Report No. 09-07
December 2009**

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EXECUTIVE SUMMARY

Government of Guam's Wellness Benefits

Report No. 09-07, December 2009

To promote healthier lifestyles and curb health problems among its employees and retirees, the government of Guam offers fitness and wellness services through the Government of Guam Health Insurance Plan (GHIP) administered by the Department of Administration (DOA). The wellness center contracted by the GHIP provider offers management programs for a variety of health issues such as diabetes, obesity, cardiovascular diseases, and smoking. The fitness center, later added to the GHIP, provides a variety of physical fitness services, counseling, and coaching.

Nature and Objective of Our Audit

Our audit of the GHIP's wellness and fitness benefits (Wellness Benefits) was prompted by citizens' concerns regarding the GHIP provider's procurement of service providers for the Wellness Benefits. Our objectives were (1) to assess the cost, benefit, and utilization of the Wellness Benefits and (2) to determine whether adequate processes are in place to monitor the Wellness Benefits' effectiveness.

Results

Title 4 of the Guam Code Annotated (GCA) §4302(c) states a Negotiating Team (NT) consisting of the Director of DOA, who shall serve as chairperson; as well as directors and representatives of other government entities, were tasked to develop the most economical and beneficial health plan for government of Guam employees and retirees.

Though well intentioned, the NT negotiated the cost of the Wellness Benefits without considering what the greater population of government employees needed or wanted from such benefits, how many would participate and use wellness/fitness center services, or whether they would be willing to pay for such services. Currently, the cost of the Wellness Benefits is fixed into the employees and retirees' monthly health insurance premium and is paid to the GHIP providers at a flat rate. While participation in the Wellness Benefits is entirely voluntary, all employees and retirees share the cost for these services and are paying more for these services than private or non-government users.

After the GHIP contract was negotiated, an addendum dated August 29, 2008 was added to provide physical fitness services for FY 2009. This addendum was not part of the original healthcare plan Request for Proposal (RFP). The addendum called for the inclusion of physical fitness services and specified that the GHIP provider procure a fitness center offering cardiovascular training, resistance and strength training, flexibility training, and group exercise classes. This addendum was a sole source procurement and was not advertised.

Between October 1, 2007 and June 30, 2009, the government of Guam, through the GHIP provider, paid \$699,788 to the wellness center and the physical fitness center. Of the total, \$496,388 was paid to the physical fitness center and \$203,400 was paid to the wellness center. The payment was based

on the total number of government employees enrolled in the GHIP rather than the number of government enrollees who actually participated in the Wellness Benefits. The cost for the fitness center was based on the average GHIP enrollment of 10,250 enrollees each month. Although \$496,388 was paid to the fitness center, we found a discrepancy of over \$35,000, which is being reviewed by DOA.

Over the two-year period from October 2007 to September 2009, the only utilization data provided was that 58 government employees participated in the wellness center between October 2008 and February 2009. Out of 10,250 GHIP enrollees, we found that a monthly average of 618 government employees or 6% of the total GHIP enrollees utilized the fitness center.

We found that no agency was tasked to manage the Wellness Benefits. As a result, there was no requirement to provide utilization data at the wellness or fitness centers; no survey of employees was conducted as to the types of Wellness Benefits that could be offered; no comprehensive plan as to how to utilize and manage the Wellness Benefits; and no cost-benefit analysis of such a program. DOA's role is to ensure that the terms of the contract are applied accordingly. DOA does not have dedicated personnel and expertise to monitor Wellness Benefits activities.

Conclusion

The Wellness Benefits are available to all government of Guam employees and retirees. However, based on the scant utilization data provided, only a small number of employees utilize these services. Without a designated entity to monitor this program, government of Guam has paid non-competitive rates to have the wellness and fitness centers available to government employees.

We recommend that the Governor designate an entity to be responsible for monitoring the Wellness Benefits. The designated entity should:

- Develop a comprehensive plan to include a survey of the government of Guam employees;
- Collect and assess data on the utilization of the wellness and fitness services; and
- Coordinate efforts with the Healthy Guam Initiative.

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Introduction

This report presents the results of our audit of the fitness and wellness benefits (Wellness Benefits) through the Government of Guam Health Insurance Plan (GHIP), administered by the Department of Administration (DOA). The services are provided to government employees and retirees enrolled in the GHIP. Our audit was prompted by citizens' concerns regarding the procurement of service providers for the Wellness Benefits.

Our objectives were to:

1. Assess the cost, benefit, and utilization of the centers and
2. Determine whether adequate processes are in place to monitor the Wellness Benefits' effectiveness.

The scope and methodology are detailed in Appendix 2.

Background

Title 4, G.C.A. §4302(c) states a Negotiating Team (NT) consisting of the Director of the Department of Administration (DOA), who shall serve as chairperson; the Administrator of the Department of Integrated Services for Individuals with Disabilities; the Director of Bureau of Budget and Management Research; a Judicial Branch employee representative appointed by the Chief Justice of the Supreme Court of Guam; a Legislative Branch employee representative appointed by the Speaker; the Superintendent of the Department of Education; the Director of the Government of Guam Retirement Fund (GGRF), and a retiree who is a member of GGRF and appointed by the Board of Trustees shall examine the financial information of the prepaid health insurance companies, healthcare providers or other legal entities for the purpose of developing the most economical and beneficial health plan for government of Guam employees and retirees. The NT may obtain technical support from other financial and health related agencies and develop rules of procedure. DOA is responsible for ensuring that the terms of the contract negotiated are applied.

The wellness and fitness services represent the government's effort to promote healthier lifestyle practices and to curb health problems such as stress-related ailments, obesity, diabetes, smoking, cardiovascular diseases, and other avoidable medical conditions among government employees and their families. The government of Guam's GHIP provider contracts the services of the wellness and fitness centers.

Though well intentioned, the NT negotiated the cost of the Wellness Benefits without considering what the greater population of government employees needed or wanted from such benefits, how many would participate and use wellness/fitness center services, or whether they would be willing to pay for such services. Currently, the cost of the Wellness Benefits is fixed

into the employees and retirees' monthly health insurance premium and is paid to the GHIP providers at a flat rate. While participation in the Wellness Benefits is entirely voluntary, all employees and retirees share the cost for these services and are paying more for these services than private or non-government users.

We found that only the Guam Housing and Urban Renewal Authority (GHURA) and the Guam Visitors Bureau (GVB) elected to solicit for their own GHIP. In FY 2009, GHURA and GVB decided to join DOA's GHIP after failing to negotiate a favorable pricing structure for its employees.

Wellness Center

The wellness center has been part of the Wellness Benefits since October 2007. The wellness center was offered to government employees who had been enrolled with the healthcare plan. Services available at the wellness center include:

- i. Diabetes Management Mini Newstart;
- ii. Cardiovascular Mini Newstart;
- iii. Breathe-Free Stop Smoking Program;
- iv. Gestational Diabetes Program; and
- v. Newstart.

Newstart is an intensive program designed for the people who desire to control and reverse their diabetes, high blood pressure, high cholesterol, arthritis, and other chronic health problems. With the exception of the Newstart program, the other services are offered to the public for free.

Fitness Center

From October 1, 2007 to September 30, 2008, the GHIP provider reimbursed \$10 a month to government employees who enrolled and used the fitness center at least twice a week. The reimbursement incentive was a pilot program initiated by the GHIP provider but was not part of the government of Guam's negotiated FY 2008 GHIP.

For the FY 2009 GHIP, the NT negotiated the inclusion of fitness center services and specified that the GHIP provider procure a fitness center offering cardiovascular training, resistance and strength training, flexibility training, and group exercise classes. The GHIP contract did not require the collection of data regarding the numbers of employees using the services or the frequency they used them. However, the GHIP provider requested the fitness center to collect and submit such data quarterly and only nine months of utilization data was ever provided for our review.

Results of Audit

From October 1, 2007 to June 30, 2009, the government of Guam, through the GHIP provider, paid a total of \$699,788 for the Wellness Benefits, \$203,400 to the wellness center and \$496,388 to the physical fitness center. The cost was based on the total number of government employees enrolled in the Group's Health Insurance Plan (GHIP) and not on the number of government of Guam subscribers who actually participated in the Wellness Benefits.

We found that:

- No agency was tasked to monitor the Wellness Benefits.
- No cost-benefit analysis on the Wellness Benefits was ever conducted.
- Wellness Benefits providers were sole sourced.

According to DOA, the monthly average of enrollments (active employee, retirees, and survivors) enrolled in the group healthcare plan is 10,250, including the autonomous agencies. Additionally, the Wellness Benefits was not well promoted. Little was done to raise awareness and encourage member participation.

No Agency Tasked to Monitor the Wellness Benefits

With no agency tasked to monitor the Wellness Benefits, there was no requirement to collect or analyze data regarding the numbers of employees using the fitness and wellness centers, the frequency they used such services, or the success of the Wellness Benefits overall. No comprehensive plan was ever developed to create a culture of wellness within the government workforce to help members reduce their health risks. There are no incentives to participate, no efforts to encourage sustained participation, and no plans to promote the importance of good health.

The government-contracted independent insurance and risk management consultant we interviewed stated that they could not comment on the Addendum to the Wellness Plan because it was not part of the negotiation for the FY 2009 healthcare plan. However, he did say that the completeness and accuracy of the utilization data collected by the Wellness Benefits providers was insufficient and questionable.

Addressing these shortcomings could include establishing baseline data on the employees' response on the Wellness Benefits, and collecting and maintaining accurate utilization rates will provide important data for evaluating the effectiveness of the Wellness Benefits as time goes on.

For instance, a comprehensive plan should include:

- Identifying the current health status of staff members;
- Implementing annual or periodic health screenings to help employees identify their specific health risks and to encourage them, especially those at high risk, to seek out healthcare or physical fitness coaches to create individualized programs for making positive lifestyle changes;

- Revising the Wellness Benefits based on assessment outcomes; and
- Evaluating and improving processes to enhance effectiveness and efficiency.

Integration of Government of Guam Wellness and Fitness Initiatives

Over the last decade, the government of Guam launched two formal programs (Vision 2001 Physical Fitness and Wellness Plan and Healthy Guam Initiative) to improve the health and fitness of its employees. Both were aimed at encouraging good health, physical fitness, and better lifestyles and eating habits among government employees and, by example, the rest of Guam's population. The initiatives were prompted by the growing numbers of residents struggling with obesity, diabetes, cardiovascular diseases, and all the other maladies associated with a sedentary lifestyle and high fat, high cholesterol diets. Please refer to Appendix 4 for details on these programs.

We recommend that the Governor designate an entity to be responsible for managing Wellness Benefits; developing a comprehensive plan to include a survey of the government of Guam employees; collecting and assessing data on the utilization of the wellness and fitness services; and coordinating efforts with the Healthy Guam Initiative.

Lack a Cost-Benefit Analysis for the Wellness Benefits

Without a cost-benefit analysis of the Wellness Benefits or complete and accurate utilization data, the Wellness Benefits could not be evaluated for effectiveness. The data essential for monitoring effectiveness was not available.

We obtained and reviewed utilization data for the wellness and physical fitness centers collected by the service providers and found no evidence that DOA had analyzed the data to determine the cost-benefit of providing the Wellness Benefits or their overall effectiveness at improving employee health. The only utilization data provided for the fitness center was for nine months in FY 2009, from October 2008 to June 2009. Similarly, the only utilization data provided for the wellness center was for five months in FY 2009, from October 2008 to February 2009. Utilization data essential to monitoring the effectiveness of the Wellness Benefits was not available from the fitness and wellness centers prior to FY 2009.

Continuous and cumulative data is necessary for gauging the Wellness Benefits' influence, if any, on work absenteeism, employee morale, doctor visits, and health care costs, or on the incidence of smoking and obesity among government employees.

Although participation in the Wellness Benefits is voluntary, non-participating enrollees to the GHIP also bear the cost.

Local Wellness Center

Since October 1, 2007, the wellness center has offered services such as the Mini Newstart Program for Diabetes and Cardiovascular Management; Breathe-Free Stop Smoking; Gestational Diabetes Program; and the Newstart Program. The fees for these services are built into all GHIP enrollees. In addition to this, employees pay out of pocket to participate in the Newstart Program.

Based on the utilization data provided by DOA, 58 employees used wellness center services between October 2008 and February 2009. Data was available only for the first five months of FY 2009. All 58 participated in the Newstart and Mini Newstart programs for Cardiovascular Management and Diabetes Management. There was no participation in wellness center's Gestational Diabetes Management program or smoking cessation programs. No utilization data was available for FY 2008.

The GHIP provider's payments to the wellness center from October 2007 through June 2009 totaled \$203,400. Payments of \$117,000 and \$86,400 were for FY 2008 and FY 2009 (nine months) respectively. According to the GHIP provider's plans administrator, the cost for the wellness center is included in the plan negotiated by the government of Guam and in the healthcare insurance premiums paid by enrolled government employees, whether they use the services or not.

Fitness Center

In FY 2008, the GHIP provider initiated a pilot program with the fitness center to reimburse \$10 a month to every government employee subscriber who used the fitness facility at least twice a week. The reimbursement was not part of the government's FY 2008 GHIP contract nor was it continued in the FY 2009 GHIP.

In FY 2009, a flat fee of \$5 a month for the fitness center is included in the premium paid by government employees that are enrolled for the GHIP. According to the addendum, the monthly charge per GHIP enrollment is to be paid to the fitness center whether or not the GHIP enrollees used the facilities. From October 2008 to June 2009, DOA, through the GHIP provider, paid \$496,388 to the fitness center. Based on the average monthly enrollment of 10,250 enrollees, we calculated the cost to the government of Guam should have been \$461,250. The discrepancy of over \$35,000 is being reviewed by DOA.

The only utilization data for the fitness center ever provided by the GHIP provider was for the nine-month period from October 2008 to June 2009. Out of the 10,250 GHIP enrollees, we found that a monthly average of 618 government employees or 6% of the total GHIP enrollees utilized the fitness center. Refer to Appendix 3 for more details.

Since the GHIP provider charges a set fee and pays the fitness center on a total per capita basis, we estimate the per-employee cost to be \$89 a month or \$1,068 per year. Refer to Appendix 3.

In comparison, we found this rate to be higher than other membership rates offered by the fitness center. See table below for illustration.

Membership Type	Monthly Cost (USD)	Yearly Cost (USD)
Government of Guam	\$ 89.00	\$ 1,068.00
Non-Government	55.00	660.00
Seasonal Promotion	39.00	468.00
Occasional Promotion	27.50	330.00

Without a cost-benefit analysis of the Wellness Benefits or complete and accurate utilization data the Wellness Benefit could not be evaluated effectively. Had the NT required the collection of utilization data and the regularly analyzed the Wellness Benefits' effect (if any) on employee health, performance, and morale, the program would be better monitored. Refer to Appendix 5 for industry best practices.

Selection of Wellness Benefits Service Providers

After the health contract was negotiated, an addendum to the contract dated August 29, 2008 was added to provide physical fitness services for FY 2009. This addendum was not part of the original healthcare plan Request for Proposal (RFP). The addendum called for the inclusion of physical fitness services and specified that the GHIP provider procure a fitness center offering cardiovascular training, resistance and strength training, flexibility training, and group exercise classes. The original RFP for the healthcare plan did not solicit fitness and wellness services, which were subsequently sole-sourced and not advertised.

According to the GHIP provider's plan administrator, the government negotiators requested the inclusion of fitness center services in the new healthcare plan after the commencement of FY 2009 contract. This service was offered at no cost to the GHIP enrollees. The plan administrator said that due to the time constraint to procure fitness center services, the GHIP provider opted to engage the one fitness center with which it had prior business relations.

After the healthcare contract was negotiated, an addendum to provide physical fitness services was approved by the Lt. Governor and the DOA Director. The addendum specified the procurement of cardiovascular training, resistance and strength training, flexibility training, and group exercise classes. The fitness center was subsequently sole-sourced by the GHIP provider.

The NT played no role in the GHIP provider's selection of service providers for the Wellness Benefits. NT provided criteria only for the fitness center to be included in the Wellness Benefits, but did not scrutinize the cost negotiations between the GHIP provider and the operators of the wellness and fitness centers.

FY 2009 Healthcare Plan Contract & 2010 Healthcare Plan Proposal

We found that the FY 2009 healthcare contract has remained unsigned. DOA's Human Resources Benefits supervisor informed us that the contract was at the Attorney General's office for review and approval and would be circulated to the Bureau of Budget and Management Research and then to the Governor. As of November 2009, the contract was still unsigned, even though it terminated in September 2009. Services were provided without a valid contract.

¹ There is a nominal enrollment fee for all membership types except for Government of Guam memberships.

A brief review of the FY 2010 healthcare plan revealed little change in the Wellness Benefits from FY 2009. The only difference was the addition of another fitness center and more promotion of the Wellness Benefits was called for. The bid specifications for FY 2010 do not address the monitoring of the Wellness Benefits, or require the performance of a cost-benefit analysis and monthly collection of accurate utilization data. The FY 2010 healthcare contract, which commenced on October 1, 2009, was unsigned as of November 2009.

Discussion with DOA

The DOA Director stated that the NT is responsible for the GHIP and should also be responsible for the Wellness Benefits. Title 4 G.C.A §4302(c) was enacted to ensure that the NT consists of statutory members responsible for the Wellness Benefits. The Director explained that DOA's role is to administer the GHIP and the terms of the contract, but the cost of the GHIP and the negotiation of benefits is the NT's responsibility. In order for DOA to assume the responsibility of performing the cost-benefit analysis and monitoring the Wellness Benefits, the department would need to hire additional staff.

DOA admits that the \$89 cost per fitness center user is excessive but could be lowered significantly, to around \$5 per month, if every member of the GHIP participated, a huge saving and an incentive for members to join.

Based on our review of the limited documentation it is not clear what may have transpired in the discussion to include a fitness center in the GHIP. The DOA Director stated the fitness center was included after the GHIP was negotiated because a memo from the Governor's office directed its addition to the GHIP. The NT was aware and approved the inclusion of the fitness center. However, the governor's FY 2009 memo was not provided by DOA.

We could not ascertain the rates for the fitness and wellness centers for the FY 2010 contract because the GHIP provider lumped the cost into the healthcare premium. DOA does not know the cost of the Wellness Benefits and will contact the GHIP provider for the breakdown of cost. As of the issuance of this report, DOA has not provided an update of the cost breakdown.

Conclusion and Recommendation

The Wellness Benefits in the GHIP offers wellness and fitness services to enrolled government of Guam employees. However, a vast majority of employees do not participate in the wellness and fitness centers. The original RFP for the healthcare plan did not solicit fitness services, which were subsequently sole-sourced.

No agency is responsible for managing the Wellness Benefits to meet the general needs and provide continual wellness opportunities for government employees or to encourage and reinforce positive lifestyle changes. No cost-benefit analysis has been conducted to evaluate the overall success of, or participation in, the program.

At best, the government's role has been passive. As a consequence, the costs associated with the services provided have been excessive and did not match the needs and wants of the employees. Over a two-year period, from October 2007 to September 2009, the only utilization data provided was that, between October 2008 and February 2009, 58 employees participated in the wellness center and 5,560 employees participated in the fitness center between October 2008 and June 2009. The government of Guam, through the GHIP provider, paid \$496,388 to the fitness center from October 1, 2008 to June 30, 2009 and \$203,400 to the wellness center from October 1, 2007 to June 30, 2009.

In not having a designated entity to monitor the Wellness Benefits, government of Guam has paid non-competitive rates to have the wellness and fitness centers available to government employees and retirees.

Recommendation

We recommend that the Governor designate an entity to be responsible for monitoring the Wellness Benefits. The designated entity should:

- Develop a comprehensive plan to include a survey of the government of Guam employees;
- Collect and assess data on the utilization of the wellness and fitness services; and
- Coordinate efforts with the Healthy Guam Initiative.

Management Response and OPA Reply

A preliminary draft report was transmitted to the Director of DOA in November 2009.

A summary of the Director's response included agreements, disagreements and commentary. A summary is provided:

- Agreed with the recommendation to designate an entity to be responsible for monitoring the Wellness Benefits. However, adequate funding should be provided to hire additional staff.
- Disagree as the Health Insurance Program is meant to offer a wide range of benefits and not necessarily individual needs. Not all utilize maternity care, cardiac, dialysis, etc. Would this justify the removal of these benefits if not all the population has used it?
- Cost is incidental due to a long term effect it will have in promoting a healthier lifestyle.
- Reviewing the discrepancies of \$35,000 and asking the GHIP provider to review the accuracy.
- NT negotiates pricing based on medical expenses. There is no line item for Wellness Benefits. If the intention is to monitor these benefits, then monitoring all benefits should be done.
- Disagree. Every effort is made to publicize the Group Health Insurance Program. Brochures are distributed as well as member handbooks mailed.
- It was not part of the "initial" negotiations but was negotiated between the NT and the insurance company prior to the commencement of FY 2009. The actuaries, when comparing costs to other stateside companies offering wellness benefits, said the pricing was within what other companies were offering.
- NT reviews medical expenses in aggregate. There are no separate components for Wellness just as there is no specific negotiation for specific benefits.
- Disagree. Guam Procurement Law is not applicable for the procurement of services for private plans are not to issue RFPs.

See Appendix 6 for details of DOA's management response.

Based on the Director's comments we amended the report where appropriate. Physical fitness service is an elective benefit unlike the requirement to have medical care. Considering the government's financial difficulties, we question whether the government can afford to continue paying on behalf of employees who do not participate in the Wellness Benefits and whether alternatives should be explored.

The legislation creating the Office of Public Accountability requires agencies to prepare a corrective action plan to implement audit recommendations, to document the progress of the implementation of the recommendations, and to endeavor to have implementation completed no later than the beginning of the next fiscal year. Accordingly, our office will be contacting DOA to establish target dates and titles of officials responsible for implementing the recommendations.

We appreciate the cooperation shown by the DOA Director and the staff at the Human Resource and Finance Divisions.

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Appendix 1:
Classification of Monetary Amounts

	Questioned Costs
Payments to Fitness Center	\$ 496,388
Total	<u>\$ 496,388</u>

Appendix 2:**Scope and Methodology**

The objectives of our audit were to assess the cost, benefit, and utilization of the wellness and fitness services (Wellness Benefits), and to determine whether adequate processes are in place to monitor the Wellness Benefits' effectiveness.

The audit scope included obtaining payments made by the GHIP provider for the Wellness Benefits in FY 2009 and the utilization of the Wellness Benefits services by government employees. The scope also included the review of contracts between the GHIP provider and the government of Guam for FY 2008 and FY 2009.

To accomplish our objective, we:

- Conducted interviews and walkthroughs with DOA officials to understand the processes and procedures used in the selection of the service providers.
- Reviewed the government of Guam medical insurance contract implementation for compliance with policies and procedures.
- Obtained a breakdown of enrollments at the fitness and wellness centers by government employees (active and retired).
- Analyzed the total payments made to the service providers and the computation of the premiums paid by the government of Guam to the GHIP provider.

The audit methodology included gaining an understanding of the policies, procedures, and applicable laws and regulations pertaining to the government of Guam's procurement of fitness center vendors.

We identified the impact of the additional cost incurred by the government of Guam for the Wellness Benefits on the medical premiums and utilization of the services.

We conducted this performance audit in accordance with government auditing standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. These standards require that we plan our audit objectives and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix 3:

Facility Usage of the Local Fitness Center

Facility usage From October 2008 to June 2009

Healthcare Plan Members	Total number of Government of Guam Fitness Center Participants per Month									Total Utilization (9 months)
	Oct 2008	Nov 2008	Dec 2008	Jan 2009	Feb 2009	Mar 2009	April 2009	May 2009	June 2009	
Employees	1,447	558	543	735	565	441	523	311	357	5,560

Notes:

- a. Monthly figures do not include same individuals more than once.
- b. The utilization in the table above totals 5,480, although the figures provided by DOA and the healthcare provider show 5,560. The accuracy of the data provided by the GHIP provider is questionable.

Cost per employee for Local Fitness Center

Calculation for estimated utilization rate of the fitness center	Computation
Average monthly enrollment for FY 2009 ²	10,250
Total GHIP enrollment (9 months)	10250 x 9 months = 92,250
Payment by the Government of Guam for the Fitness Center in FY 2009 (9 months)	\$496,388
Total utilization (9 months)	5,560
Average utilization per month	5,560 / 9 months = 618
Estimated monthly utilization rate of the fitness center	= Total utilization / Total enrollment = 5,560 / 92,250 = 6%
Calculation of monthly rate per employees	\$496,388/5,560 = \$89.27 per employee
Calculation of annual rate per employees	\$89 x 12 = \$1,068
Audit computation for the cost of the Fitness Center for FY2009	9 months X \$5 X 10,250 enrollments = \$461,250
Discrepancy in Payment to the Fitness Center	\$496,388 - \$461,250 = \$35,138

² According to DOA and the healthcare provider, there is an average of 10,250 employees in the GHIP every month.

Vision 2001 Guam Physical Fitness and Wellness Plan

The first initiative began through the Executive Order No. 98-21, dated July 29, 1998. As part of Vision 2001, a comprehensive, long-range plan for Guam's future, the Governor established a Council on Physical Fitness and Sports by executive order to set objectives for health care by 2001. Among other things, the Council's Guam Physical Fitness and Wellness Plan called for allowing employees a maximum of an hour a week to participate in a fitness and wellness program. In turn, the Governor directed all department and agency heads to establish a program in compliance with the guidelines set forth in the Council's plan. Participation in the Wellness Benefits, however, was voluntary and employees were required to waive all claims against the government should an accident or injury occur.

Healthy Guam Initiative

The Healthy Guam Initiative consists of two programs: Having Every Age Live and Think Healthier (H.E.A.L.T.H.) and Get Up and Move (G.U.A.M.). H.E.A.L.T.H. promotes healthy lifestyles and wellness, and G.U.A.M. promotes more physical activity. G.U.A.M. was launched on June 1, 2009.

The Governor established a steering committee. The committee comprised of the Governor's Special Assistant on Health Policy and Initiatives, the president of the Governor's Council on Physical Fitness and Sports, and the directors of the departments of Administration, Public Health & Social Services, and Parks & Recreation, is tasked with:

- Develop a comprehensive government employee health program by December 31, 2009.
- Communicate and promote wellness initiatives and programs to government employees to include website links to wellness programs, recognition for employee participation, and support for preventative measures (e.g. on-site health screenings and wellness materials).
- Develop criteria for government entities to be recognized and awarded annually for outstanding and successful programs and widespread participation of their employees in wellness in programs.

We interviewed the Governor's Special Assistant on Health Policy to gain a better understanding of the Healthy Guam Initiative and learned that its goals and objectives were clearly defined. Both the H.E.A.L.T.H and the G.U.A.M. programs incorporate many of the policies, procedures, and guidelines adapted from the Vision 2001 Guam Physical Fitness and Wellness Plan.

The Healthy Guam Initiative was envisioned to:

- Improve the productivity, collective happiness, and quality of life of government employees and citizens by promoting overall good health and fitness;

- Improve lifestyle practices to reduce stress levels, obesity, and medical conditions such as cardiovascular diseases and diabetes, which are a growing problem among Guam's population; and
- Promote policies that support flexible work schedules and environments to encourage more physical activity (e.g., providing exercise equipment, showers and locker rooms, etc.) at the fitness facility.

The Department of Public Health & Social Services and the Governor's Council on Physical Fitness and Sports collaborate to provide services for the H.E.A.L.T.H program. Participation by employees of executive and autonomous agencies is voluntary. Each agency identifies a health coach who provides overall supervision and guidance in implementing the G.U.A.M. program. The health coach helps employees determine the status of their health through free health screenings, which include such measurements as body mass index, body fat percentage, blood pressure, blood sugar, and blood lipids at the start of the employee's participation and tracks his or her progress while on the G.U.A.M. program. The results provide a measure not only of the employee's progress but also of the Wellness Benefits' effectiveness.

Appendix 5:**Industry Best Practice**

A wealth of information on wellness programs is available for free through various forms of media, including the internet and publications. Research-based tools, such as the Return on Investment (ROI) calculators³, help governments, organizations, or companies determine the effect or impact of wellness programs in relation to health care costs, absenteeism, etc. at no cost. Information needed to use the ROI calculators include:

- 1) The total health care costs over the past 12 months,
- 2) The total number of benefited employees, and
- 3) The percentage change in health care costs each year for the past five years.

For example, the calculation provides several projections, such as the "cost of doing nothing," which shows what employee-related expenses look like in the next few years if continuing business as usual and not implementing any wellness programming occurs. ROI calculators only look at changes in health care costs, absenteeism, etc. The "cost of doing nothing" projections do not include any estimates of worker's compensation, disability, EAP, or other common employee-related expenses.⁴

³ http://www.wellsteps.com/resources/resources_tools_roi_cal_health.php

⁴ http://www.wellsteps.com/resources/resources_tools_roi_cal_health.php



Felix P. Camacho
Governor
Michael W. Cruz, M.D.
Lieutenant Governor

DEPARTMENT OF ADMINISTRATION
(DIPATTAMENTON ATMENESTRASION)
DIRECTOR'S OFFICE
(Ufaianan Direktot)
Post Office Box 884 * Hagåtña, Guam 96832
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Lourdes M. Perez
Director
Joseph C. Manibusan
Deputy Director

DEC 16 2009

HRD Nbr: OG10-0228

Doris Flores Brooke, CPA, CGFM
Public Auditor
Office of the Public Auditor
Suite 401 DNA Building
238 Archbishop Flores St.
Hagåtña, Guam 96910

Ref: Report No. DOA-01-0901, December 2009
- Government of Guam's Wellness Benefits

Dear Ms. Brooke:

Buenas yan Hafa Adail Enclosed is a copy of the reference report with our comments. Supporting documents are also enclosed for your review and information.

1. Correspondence dated 08-01-2008 with the attachment
2. Memorandum from Governor's Office, received on April 21, 2009
3. Memorandum from Chief Procurement Officer dated 12-16-2009

We agree with the recommendation to designate an entity to be responsible for monitoring the Wellness Benefits. However, adequate funding should be provided to hire additional staff. Also, for purposes of doing cost benefit analysis, all benefits should be monitored and not just the wellness benefits.

Si Yu'os Ma'asel

Lourdes M. Perez
LOURDES M. PEREZ

Enclosures

RECEIVED
OFFICE OF THE PUBLIC AUDITOR

DATE: 12/18/09

TIME: 11:15 AM

BY: *[Signature]*

Management Agreements, Disagreements and Commentaries

Comment 1 – Disagree. The Health Insurance Program is meant to offer benefits for a wide range of benefits to cater employees through retirees/survivors. Not all utilize maternity care, cardiac, dialysis, etc. would this justify in the removal of these benefits if not all the “population” has used it? This is meant to cover a wide range and not individual needs. If so employees may obtain private plans which may be costly. Example as the report states that the GVB was unsuccessful in obtaining their own coverage due to pricing.

Comment 2 - Cost for incidental due to the long term effect it will have in promoting a healthier lifestyle and reducing health care costs long term.

Comment 3 - We are reviewing those numbers and asking that SC review them also for accuracy. Must be mindful that C5 payments are \$10 as supposed to \$5 for a single GG employee and that the PP’s run for 26 pay periods.

Comment 4 - Please refer to your Appendix where data was given beyond this time period to June 2009.

Comment 5 - Disagree. The contract was not finalized. The FY2009 commenced with the inclusion of the gym membership under the wellness (health education) benefit

Comment 6 - The NT negotiates pricing based on medical expenses. There is no one line item Wellness Benefit but simply a benefit under the Government of Guam’s Health Insurance Program. If the intention is to monitor this benefit, then monitoring of all benefits (maternity, dialysis, hospitalization) should be done. There is no staffing or funding given to monitor these benefits.

Comment 7 - We agree that an entity should be designated to monitor a wellness program and given adequate staffing and funding. The NT reviews all medical expenses in aggregate during the negotiations process and to purchase insurance in the lowest possible premium. The DOA’s role after the conclusion is to ensure that the terms of the contract are applied accordingly. DOA does not have the appropriate staffing and expertise to monitor wellness activities.

Comment 8 - There is not a particular “Wellness Benefit.” There is a Group Health Insurance Program with benefits under such umbrella. DOA does not administer the Wellness Benefit but is responsible for ensuring that the terms of the contract are applied.

Comment 9 - As we mentioned, the Group Health Insurance is meant to serve the population at large and to offer affordable premiums. For FY2010, there was a reduction in premiums for 2 of the plans. It is the intention that by keeping the wellness benefit under the GHIP, it will reduce premiums long term and promote a healthier lifestyle.

Comment 10 - Open Enrollment runs for a month long with on site presentations at numerous departments and the Micronesia Mall, GPO and Agana Shopping Center on weekends. Brochures are distributed as well as member handbooks mailed. Every effort is made to publicize the Group Health Insurance Program. Perhaps, department heads may make it mandatory for all employees to attend.

Comment 11 - Refer to Appendix 2 where data was given to June 2009.

Comment 12 - We want to clarify that it wasn't part of the "initial" negotiations but was negotiated between the NT and the insurance company prior to the commencement of the FY2009 plan year. Furthermore, communications were sent to the actuaries regarding rate proposals. As such, the actuaries when comparing costs to other stateside companies offering wellness benefits, said the pricing was within what other companies were offering.

Comment 13 - The entire population share the cost as this is a "Group Health Insurance Plan." If individuals were to obtain their own plan could result in a higher premium for the Group (as the report earlier mentioned with the case of GVB unable to obtain a fair price).

Comment 14 - This benefit is under the "Group Health Insurance Plan." If the intention is to offer a group gym membership under a "Wellness Program", then an entity with appropriate staffing and funding must be created.

Comment 15 - We support this with appropriate funding and staffing.

Comment 16 - The NT reviews the medical expenses in aggregate. There is no separate components for wellness components just as there is no separate negotiations for specific benefits.

Comment 17 - Disagree. Refer to our comments on page 6, comment 10.

Comment 18 - See appendix 2. Data up to September 2009.

Comment 19 - This is a long term benefit. Please see attached journal on Association of Healthcare Costs with per unit Body Mass Index. The NT nor the DOA is not equipped with proper staffing and funding to monitor.

Comment 20 - Disagree. Guam Procurement Law is not applicable for procurement of services for private sectors and therefore private plans are not required to issue RFP's.

Comment 21 - Information incorrect/confusing. The FY2009 Plan Year called for a gym membership under the Group Health Insurance Program. This benefit was part of the FY2009 Health Insurance Program and did not occur after the commencement of the FY.

Comment 22 - We have made every effort to expedite the signing of the contract as it passes through the different departments. Numerous follow ups were made requesting review and signing of the contract.

Comment 23 - During the course of the negotiations, materials and information exchanged are kept as permanent records. The actuaries review the information and at the conclusion of the negotiations, both parties sign off on rates agreed. A briefing memo is also done outlining the outcome and agreement of the negotiations. A formalized briefing memo is presented to the governor identifying the outcome and agreement. Contractual language is reviewed by both parties acknowledging that the information is what was agreed to and signed off for circulation

Comment 24 - Within the ITB, taping is allowed with the consensus of both parties. It has been a practice since the late 80's not to tape the proceedings to allow for free flow of dialogue and communication. Plans were hesitant to speak freely and openly when taping occurred.

Appendix 7:

Management Response – Letter from GSA

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GSA SUPPLY

02:05:09 p.m. 12-16-2009

2/2...

Felix P. Camacho
Governor

Lourdes M. Ferras
Director
Department of Administration



GENERAL SERVICES AGENCY

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Michael W. Cruz, M.D.
LI Governor

Joseph C. Mendez
Deputy Director
Department of Administration

December 16, 2009

Memorandum

To: Director, Department of Administration
From: Chief Procurement Officer
Subject: OPA Report No.: DOA-01-0901

Buenas Yan Hafa Adai! This is in response to your request to review and submit a written response based on the comments made on page 9 of 16 under "Selection of Service Providers for the Wellness Benefits" as it relates to procurement processes. The issues and response is as follows:

Issue

The OPA found that the NT did not comply with Title 5, G.C.A. §5211, Guam Procurement Law, requiring the healthcare provider to competitively solicit for professional services for wellness and physical fitness centers.

Response:

Pursuant to Title 5, G.C.A. §5211, Competitive Sealed Bidding, Guam Procurement Law, requires the government of Guam agencies/departments to issue invitation for bids if the request is \$15,000.00 and above. This subsection does not require the successful bidder or successful offeror to issue invitation for bids for any services to be provided to the government.

If you have any question regarding this matter please do not hesitate to contact me at Ext. 718.

CLAUDIA S. ACFALLE

COMMITTED TO EXCELLENCE

Do you suspect fraud, waste, or abuse in a government agency or department? Contact the Office of the Public Auditor:



- **Call our HOTLINE at 47AUDIT (472-8348);**
- **Visit our website at www.guamopa.org;**
- **Call our office at 475-0390;**
- **Fax our office at 472-7951;**
- **Or visit us at the PNB Building, Suite 401
In Hagåtña**

All information will be held in strict confidence.