

EDDIE BAZA CALVO
Governor



RAY TENORIO
Lieutenant Governor

Office of the Governor of Guam

September 5, 2013

32-13-756
Clerk
D. 9.5.13
Time 4:21 pm
Received by: [Signature]
2013 SEP -5 PM 4:20
[Signature]

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

Dear Madam Speaker,

Enclosed is Bill No. 174 -32 (LS), *An Act Making Appropriations for Medical and Dental Insurance Premiums for Employees of the Executive and Legislative Branches and for Retirees of the Government of Guam for Fiscal Year Ending September 30, 2014*, which I have **vetoed** and am returning with the objections that I outline below.

The supposed motivation behind Bill No. 174 was to save the government money, even if it resulted in the lack of choice. This was stated very clearly in the introduced version of Bill No. 174, and repeatedly in published columns and news interviews. However, this is far from accurate, and I must correct the misinformation given to the public about a supposed "\$18 million in savings," which some senators have been talking about with reference to Bill No. 174. Even under the most optimistic of scenarios, the savings in the bill would not result in \$18 million ready for appropriation from the General Fund. The initial projection was obviously overstated. The budget chairman, who initially relied on this projected savings to reduce the amount appropriated to cover the retirees' insurance pool in his original version of the budget bill, Bill No. 177, later realized that taking the projected savings from the retirees' insurance pool placed their coverage at risk, so even he had to restore the amounts that were supposedly saved in his second-to-last version of the budget, Bill No. 177.

Relying solely on last year's configuration of the plans selected by the GovGuam employees, at best there is a possibility of a projected savings of \$2 million by accepting an exclusive provider. However, this savings would come at the loss of choice to our employees, and it is tenuous at best. Even though one might assume that giving one health insurance company the exclusive contract would produce greater savings, the simple fact is that neither the Legislature nor the administration can predict the price, or even the estimated price, of the health insurance pool. The employees' and retirees' decision on whether to choose the more expensive 1500 deductible plan or the cheaper 2000 deductible plan, more than anything else, will determine the cost of the contract. And that won't be known until after open enrollment.

Stating that there will be any savings to the General Fund based on *one* of several possible scenarios is fiscally irresponsible at best. In addition, this single scenario ignores the obvious implications that the timing of the Medicare open enrollment will have on such savings:

- There has not been any information provided to substantiate the supposed savings in premium reduction due to GovGuam retirees opting to leave the GovGuam plan and join the Medicare Part D and Medicare Part D supplement. The cost to reimburse retirees for their purchase of these programs has not been presented. The cost GovGuam has to pay for 100% of the Medicare Supplement Plan F has also not been presented.
- Federal Open Enrollment to join Medicare is during November for coverage effective January 1, 2014. **Who will cover the drug expenses of the retirees during the 3-month period they opt out of GovGuam's health plan and prior to them joining Medicare Part D?**
- Who will cover any dependents of GovGuam retirees who would not be covered after the retiree opts out of GovGuam health insurance?
- What will be the Medicare Part D cost for retirees currently covered under the "Unqualified" prescription Drug Plan of GovGuam which is the 2000 Deductible Plan? They will have to pay the premium penalty for each year they failed to previously have coverage under a "Qualified" Drug Plan.

In order to realize an estimated savings of \$18 million, the bid for an exclusive contract would necessarily have to have come in at more than \$2 million below the actual amount projected to be paid out in total claims for FY 2013.

- Have the senators considered that an exclusive contract comes with a participating agreement that would have stipulated that this one insurance company had **the right to recoup its losses in the following plan year**, negating any "savings" there may have been? The multiple carrier contracts do not have such a provision.
- Have the senators considered the procurement nightmare that would happen should the company awarded the exclusive contract purposely bid below claims data for Fiscal Year 2015 so it could outright win the next contract and recoup revenues through the provisions of the participating agreement? This is a scheme that could have taxpayers paying where senators suggested there could be a "savings."

- Have the senators examined the risk that choosing an exclusive contract means that GovGuam employees and retirees and their dependents could be at the mercy of a company that, hypothetically speaking, could:
 - Try to pull out of the contract and yank insurance coverage in the middle of the year, potentially leaving our employees and retirees without any coverage to fall back on?
 - Deny coverage to employees and retirees when they need coverage most?
 - Bury what rightfully should be paid to employees and retirees in medical loss ratio rebates under a loophole and later pay these revenues as dividends to stockholders?
 - Fail to meet the needs of thousands of employees, retirees and their dependents simply because major clinics and medical centers do not recognize the insurance coverage?
- Have the senators considered the risk that forcing a change from the non-exclusive option to the exclusive one could trigger a protest that would cause the current contract to roll over? This would be the ultimate injustice to our employees and retirees, as the new plan year benefits are better for them, especially those needing expensive specialty drugs to treat their chronic diseases.

Rather than economic, the real motivation here appears to be more political. Are the senators who, for the past three years, have been advocating for employees and retirees to have choice in insurance carriers no matter the cost now changing their minds in support of one insurance company? What has changed so quickly in the minds and convictions of those who even used the issue of a single insurance carrier against me politically?

The responsible action we can take is two-fold. First, we should be consistent in our stated agenda to provide our employees and retirees with choice in health insurance coverage. Second, we should wait to know which plans the employees and retirees choose after open enrollment closes so we can know the true amount of savings to the General Fund. Then, and not before then, should we be able to responsibly estimate what can be appropriated from whatever savings there may be. Otherwise, we simply would be making empty promises to the taxpayers of Guam, and the employees and retirees who serve with us.

Senseramente,

A handwritten signature in black ink, consisting of several overlapping, sweeping strokes that form a stylized, somewhat abstract representation of the name 'Eddie Baza Calvo'.

EDDIE BAZA CALVO

I MINA'TRENTAI DOS NA LIHESLATURAN GUÅHAN
2013 (FIRST) Regular Session

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

This is to certify that **Bill No. 174-32 (LS)**, “AN ACT MAKING APPROPRIATIONS FOR MEDICAL AND DENTAL INSURANCE PREMIUMS FOR EMPLOYEES OF THE EXECUTIVE AND LEGISLATIVE BRANCHES AND FOR RETIREES OF THE GOVERNMENT OF GUAM FOR FISCAL YEAR ENDING SEPTEMBER 30, 2014”, was on the 24th day of August, 2013, duly and regularly passed.



Judith T. Won Pat, Ed.D.
Speaker

Attested:

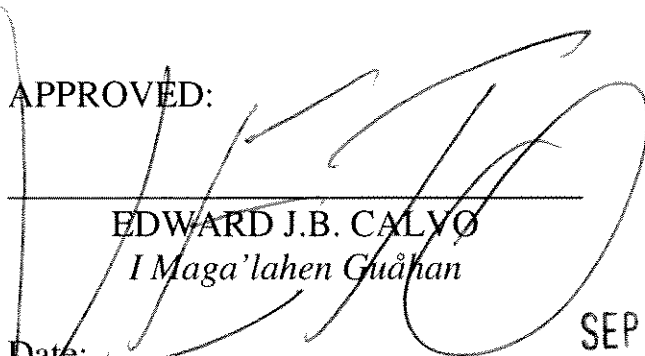

Tina Rose Muña Barnes
Legislative Secretary

This Act was received by *I Maga'lahen Guåhan* this 24 day of August, 2013, at 3:43 o'clock P.M.



Assistant Staff Officer
Maga'lahi's Office

APPROVED:


EDWARD J.B. CALVO
I Maga'lahen Guåhan

Date:

SEP 05 2013

Public Law No. _____



I MINA'TRENTAI DOS NA LIHESLATURAN GUÅHAN
2013 (FIRST) Regular Session

Bill No. 174-32 (LS)

As amended on the Floor.

Introduced by:

Vicente (ben) C. Pangelinan
R. J. Respicio
Michael F. Q. San Nicolas
Judith T. Won Pat, Ed.D.
T. R. Muña Barnes
B. J.F. Cruz
T. C. Ada
Frank B. Aguon, Jr.
V. Anthony Ada
Chris M. Dueñas
Michael T. Limtiaco
Brant T. McCreadie
Tommy Morrison
Dennis G. Rodriguez, Jr.
Aline A. Yamashita, Ph.D.

**AN ACT MAKING APPROPRIATIONS FOR MEDICAL
AND DENTAL INSURANCE PREMIUMS FOR
EMPLOYEES OF THE EXECUTIVE AND
LEGISLATIVE BRANCHES AND FOR RETIREES OF
THE GOVERNMENT OF GUAM FOR FISCAL YEAR
ENDING SEPTEMBER 30, 2014.**

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

2 **Section 1. Government of Guam Health Insurance Program**
3 **Appropriation.**

4 (a) The sum of Five Million Seven Hundred Four Thousand Five
5 Hundred Seventy Nine Dollars (**\$5,704,579**) is appropriated for medical and dental

1 insurance premiums for fiscal year ending September 30, 2014 for the following
2 agencies: Office of *I Maga'låhen Guåhan* (GOV), Commission on Decolonization
3 (COD), Guam Ancestral Lands Commission (GALC), Veterans Affairs Office
4 (VAO), Bureau of Budget and Management Research (BBMR), Civil Service
5 Commission (CSC), Department of Administration (DOA), Guam Election
6 Commission (GEC), Department of Revenue and Taxation (DRT), Bureau of
7 Statistics and Plans (BSP), Department of Public Works (DPW), Contractors
8 License Board (CLB), Guam Board of Registration for Professional Engineers,
9 Architects and Land Surveyors (PEALS), Guam Police Department (GPD),
10 Department of Corrections (DOC), Department of Agriculture (AGR), Guam
11 Public Library System (GPLS), Department of Youth Affairs (DYA), Guam
12 Environmental Protection Agency (GEPA), Department of Labor (DOL),
13 Department of Parks and Recreation (DPR), Department of Land Management
14 (DLM), Office of the Chief Medical Examiner (CME), Customs and Quarantine
15 Agency (CQA), Department of *Chamorro* Affairs (DCA), Department of Military
16 Affairs (DMA), Guam Council on the Arts and Humanities Agency (CAHA),
17 Guam Fire Department (GFD), Guam Educational Telecommunications
18 Corporation (KGTF/PBS Guam), *Chamorro* Land Trust Commission (CLTC),
19 Guam Regional Transit Authority (GRTA), Guam Solid Waste Authority
20 (GSWA), Office of Public Accountability (OPA), Office of the Attorney General
21 (OAG), and Mayors' Council of Guam (MCOG).

22 This sum is composed of Four Million Eight Hundred Ninety Eight
23 Thousand Four Hundred Ninety Two Dollars (**\$4,898,492**) from the Fiscal Year
24 2014 General Fund revenues and Eight Hundred Six Thousand Eighty Seven
25 Dollars (**\$806,087**) from Fiscal Year 2014 Special Funds.

26 **SUMMARY OF APPROPRIATION FUNDING SOURCE**

27 FISCAL YEAR 2014 GENERAL FUND REVENUES \$4,898,492

1	AIR POLLUTION CONTROL FUND	\$5,173
2	CHAMORRO LAND TRUST OPERATIONS FUND	\$18,454
3	CUSTOMS, AGRICULTURE AND QUARANTINE	
4	INSPECTION SERVICES FUND	\$198,657
5	DPW BUILDING AND DESIGN FUND	\$11,724
6	ENHANCED 911 EMERGENCY REPORTING SYSTEM	
7	FUND	\$35,432
8	ENVIRONMENTAL HEALTH FUND	\$11,736
9	GUAM CONTRACTORS LICENSE BOARD FUND	\$18,210
10	GUAM ENVIRONMENTAL TRUST FUND	\$6,514
11	INDIRECT COST FUND	\$36,151
12	HEALTHY FUTURES FUND	\$163,634
13	LAND SURVEY REVOLVING FUND	\$105,395
14	MANPOWER DEVELOPMENT FUND	\$16,942
15	PEALS FUND	\$3,025
16	SOLID WASTE OPERATIONS FUND	\$465
17	TAX COLLECTION ENHANCEMENT FUND	\$16,077
18	GUAM HIGHWAY FUND	\$156,583
19	TOURIST ATTRACTION FUND	\$465
20	WATER RESEARCH AND DEVELOPMENT FUND	\$1,450
21	TOTAL	\$5,704,579

22 (b) The sum of Five Million Eighty One Thousand Eight Hundred
23 Eighty Seven Dollars (**\$5,081,887**) is appropriated from the Fiscal Year
24 2014 General Fund revenues for medical and dental insurance premiums for
25 fiscal year ending September 30, 2014 for the Guam Department of
26 Education.

1 (c) The sum of One Million Two Hundred Eighty One Thousand
2 Eight Hundred Sixty Five Dollars (**\$1,281,865**) is appropriated from the
3 Fiscal Year 2014 General Fund revenues for medical and dental insurance
4 premiums for fiscal year ending September 30, 2014 for the University of
5 Guam.

6 (d) The sum of Four Hundred Seventy Five Thousand Nine
7 Hundred Sixty Seven Dollars (**\$475,967**) is appropriated from the Fiscal
8 Year 2014 General Fund revenues for medical and dental insurance
9 premiums for fiscal year ending September 30, 2014 for the Guam
10 Community College.

11 (e) The sum of One Hundred Two Thousand Fifty Eight Dollars
12 (**\$102,058**) is appropriated from the Fiscal Year 2014 General Fund
13 revenues for medical and dental insurance premiums for fiscal year ending
14 September 30, 2014 for the Public Defender Service Corporation.

15 (f) The sum of One Hundred Sixty Four Thousand Six Hundred
16 Seventeen Dollars (**\$164,617**) is appropriated from the Fiscal Year 2014
17 General Fund revenues for medical and dental insurance premiums for fiscal
18 year ending September 30, 2014 for *I Liheslaturan Guåhan*.

19 **Section 2. Retiree Medical and Dental Insurance Expenses**
20 **Appropriated to the Government of Guam Retirement Fund (GGRF).** The
21 sum of Sixteen Million Six Hundred Twenty Five Thousand Five Hundred Forty
22 Six Dollars (**\$16,625,546**) is appropriated from the Fiscal Year 2014 General Fund
23 revenues to the GGRF to pay for retiree group medical and dental insurance
24 premiums to continue existing programs currently contained in the semi-monthly
25 payments.

26 **Section 3. Government of Guam Health Insurance Program**
27 **Reporting.**

1 (a) All health insurance carriers for the government of Guam *shall* submit
2 a monthly written report and corresponding Microsoft Excel file of said report to
3 the Department of Administration and the Office of Finance and Budget of *I*
4 *Liheslaturan Guåhan* aggregating the:

5 (1) Enrollees, both subscribers and dependents, by active employee
6 and retiree subscriber counts by plan by class by groups supported/paid by
7 the Fiscal Year 2014 General Fund revenues, detailed by
8 agency/department; and enrollees, both subscribers and dependents, by
9 active employee and retiree subscriber counts by plan by class by groups
10 supported/paid by autonomous agencies of the government of Guam,
11 detailed by autonomous agency.

12 (2) Autonomous agencies within this Subsection *shall* include the
13 Guam Power Authority, the Guam Waterworks Authority, the Jose D. Leon
14 Guerrero Commercial Port, the A.B. Won Pat International Airport
15 Authority, the Guam Housing Corporation, the Guam Economic
16 Development Authority, the Government of Guam Retirement Fund, and the
17 Guam Visitors Bureau.

18 (3) This report and corresponding Microsoft Excel file *shall* be
19 filed with *I Maga'låhen Guåhan* and the Speaker of *I Liheslaturan Guåhan*
20 *no later than* twenty (20) days after the end of each month of Fiscal Year
21 2014.

22 (b) All health insurance carriers for the government of Guam *shall* file a
23 monthly written report detailing each individual health insurance premium
24 payment received by the government of Guam health insurance carrier from the
25 government of Guam, by date and by agency to *I Liheslaturan Guåhan no later*
26 *than* twenty (20) days after the end of each month of Fiscal Year 2014.

1 **Section 4. Severability.** If any provision of this Act or its application to
2 any person or circumstance is held invalid, the invalidity *shall not* affect other
3 provisions or applications of this Act which can be given effect without the invalid
4 provision or application and to this end the provisions of this Act are severable.



the People

I Mina'trentai Dos na Liheslaturan Guahan

Senator Vicente (ben) Cabrera Pangelinan (D)

August 24, 2013

Senator Judith T. Won Pat
Speaker
I Mina'trentai Dos na Liheslaturan Guahan
155 Hesler St.
Hagatna, Guam

Office of the Speaker
Judith T. Won Pat, Esq., D.
Date: 8/24/13
Time: 9:05 AM
Received by:

Re: Request to Waive Public Hearing

Hafa Adai Speaker Won Pat,

A memo identified as HRD No. OG-13-727 was sent to the Legislature, from the Government of Guam Health Insurance Negotiating Team identifying two options for medical and dental coverage for the government of Guam employees, retirees and their families. In light of the recent veto by the Governor of Substitute Bill 38, a contract for FY2014 health insurance might be entered into prior to the passage of the FY2014 Budget Act.

Public law requires that the most economical and beneficial health insurance plan be selected for the government of Guam employees, retirees and their families. Bill No. 174-32 (LS) will provide the appropriate funding to enter into such a contract.

I hereby request that the public hearing for Bill No. 174-32 (LS) "An Act making Appropriations for Medical and Dental Insurance Premiums for employees of the Executive and Legislative Branches and for Retirees of the Government of Guam for Fiscal Year ending September 30, 2014" be waived pursuant to Section 6.04 of the *I Mina'trentai Dos na Liheslaturan Guahan* Standing Rules and Section 2103 of Title 2 Guam Code Annotated. It is critical that the Legislature act quickly to ensure that the government of Guam promptly funds health insurance for FY2014 in order that appropriate contracts for employees' and retirees' health insurance are adequately funded and certified. Funding the most economical and beneficial health plan for the government of Guam health insurance program will ensure that other critical government operations, including health, education and public safety, be preserved for FY2014 pending the enactment of a budget bill.

I appreciate your consideration to this request.

Si Yu'os Ma'ase,

Vicente (ben) Cabrera Pangelinan
Senator

Chairman
Committee on Appropriations,
Public Debt, Legal Affairs,
Retirement, Public Parks,
Recreation, Historic Preservation
and Land

Member
Committee on Education,
Public Libraries
and Women's Affairs

Member
Committee on General
Government Operations and
Cultural Affairs

Member
Committee on Municipal
Affairs, Tourism, Housing and
Hagåtña Restoration and
Development Authority

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

Member
Committee on Aviation, Ground
Transportation, Regulatory
Concerns and Future
Generations



OFFICE OF THE SPEAKER
JUDITH T. WON PAT, Ed.D.
 CHAIRPERSON OF THE COMMITTEE ON EDUCATION AND PUBLIC LIBRARIES

FROM AUG 24 AM 9:19

VICE CHAIR

COMMITTEE ON TOURISM,
 MUNICIPAL AFFAIRS,
 HOUSING AND
 RECREATION

August 24, 2013

MEMORANDUM

To: Honorable Rory Respicio
 Chairperson, Committee on Rules

From: Speaker Judith T. Won Pat, Ed.D.

Subject: Waiver of Public Hearing-Bill 174-32(LS)

After carefully evaluating the request to waive the requirement of a public hearing on-Bill No. 174-32(LS) An Act making Appropriations for Medical and Dental Insurance Premiums for employees of the Executive and Legislative Branches and for Retirees of the Government of Guam for Fiscal Year ending September 30, 2014"

I certify that Bill No. 174-32 (LS) meets one of the requirements set forth in §2103(a) of Title 2 Guam Code Annotated and the requirement for a public hearing is hereby waived.

Sincerely,

Judith T. Won Pat, Ed.D.

COMMISSIONER

GUAM COMMISSION ON
 DECOLONIZATION

GUAM FIRST
 COMMISSION

VICE PRESIDENT

ASSOCIATION OF
 PACIFIC ISLAND
 LEGISLATURES
 (APIL)

BOARD MEMBER

PACIFIC RESOURCES FOR
 EDUCATION
 AND LEARNING
 (PREL)

**LEGISLATIVE
 REPRESENTATIVE**

PACIFIC ISLAND
 DEVELOPMENT BANK
 (PIDB)

FESTIVAL OF THE
 PACIFIC ARTS
 (FESTPAC)

cc: Clerk of the Legislature

COMMITTEE ON RULES	
Name	<u>Alene</u>
Date/Time	<u>AUG 24 2013</u> 9:19 AM