



Office of the Governor of Guam

P.O. Box 2950 Hagåtña, Guam 96932
TEL: (671) 472-8931 • FAX: (671) 477-4826 • EMAIL: governor@mail.gov.gu

Office of the Legislative Speaker
Vicente C. Pangelinan

Felix Perez Camacho
Governor

Kaleo Scott Moylan
Lieutenant Governor

DEC 03 2004

TIME 3:43 () AM/PM
RECEIVED [Signature]

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,

[Handwritten Signature]

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

Attachment: copy attached of signed bill

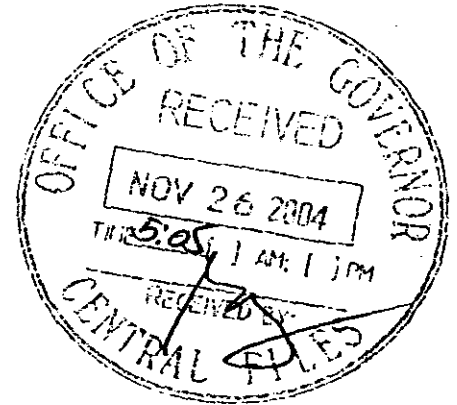
cc: The Honorable Tina Rose Muna-Barnes
Senator and Legislative Secretary



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'lahaen 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

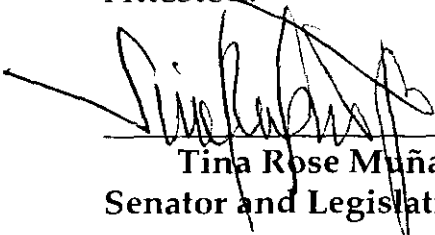
Enclosures (19)

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

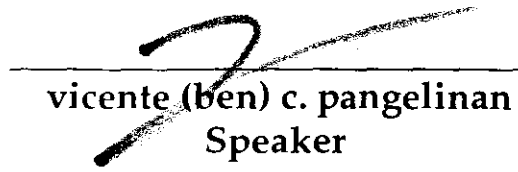
CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUÅHAN

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:

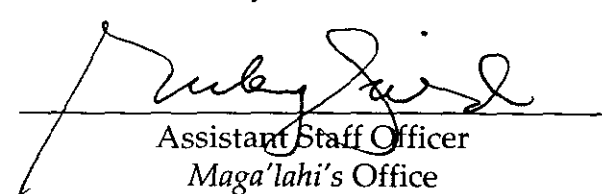


Tina Rose Muña Barnes
Senator and Legislative Secretary



vicente (ben) c. pangelinan
Speaker

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



Ruby Ruiz
Assistant Staff Officer
Maga'lahi's Office

APPROVED:



FELIX P. CAMACHO
I Maga'lahen Guåhan

Date: December 2, 2004

Public Law No. 27-125

**I MINA'BENTE SIETE NA LIHESLATURAN GUÅHAN
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'lahen 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.

IX TRANSMISSION CHECKLIST TO I MAGA'LAHEN GUAHAN
(Included in File w/ All Bills Transmitted)
BILL NO. 351 (CR)

- EXHIBITS ATTACHED *None*
- CONFIRM NUMBER OF PAGES *4*
- CAPTION ON CERTIFICATION MATCHES BILL CAPTION
- ENGROSSED SIGN"" REMOVED FROM BILL
- 15 SENATORS IN SPONSORSHIP OR CONFIRM OTHERWISE
- CERTIFICATION SIGNED BY SPEAKER & LEGIS. SECRETARY
- EMERGENCY DECLARATION, if any *No*

Confirmed By: *DPK*

Dated: 11-26-04

FINAL REVIEW:

Dated: _____

HAND CARRY BILL IN BLUEBACK (ORIGINAL & COPY)
TO THE GOVERNOR. (DANNY, _____ OR OTHERS _____)

ACKNOWLEDGED COPY W/ ORIGINAL BLUEBACK
PLACED ON CLERK'S DESK. (Same copy given to _____)

FILED by: _____



Office of Senator Antoinette (Toni) Sanford Assistant Majority Leader

TWENTY-SEVENTH GUAM LEGISLATURE

Chairwoman, Committee on Economic Development, Retirement, Investments, Public Works and Regulatory Functions
Suite 15B Sinajana Mall, 777 Route 4 Sinajana, Guam 96926 / Telephone (671) 479-TONI Fax (671) 479-8667

November 16, 2004

MEMORANDUM

TO: Committee Members

FROM: Chairwoman

SUBJECT: Committee Report and Voting

Transmitted herewith for your information and action is the report on **BILL NO. 351, as amended: AN ACT TO ESTABLISH THE "GOVERNMENT OF GUAM HEALTH INSURANCE REVIEW COMMITTEE" RELATIVE TO CONDUCTING A STUDY AND MAKE RECOMMENDATIONS FOR PROVIDING AFFORDABLE QUALITY HEALTH CARE TO ACTIVE AND RETIRED GOVERNMENT OF GUAM EMPLOYEES.**

Please review the report and take the appropriate action on the voting sheet. Your prompt attention and action on this matter is greatly appreciated. Should you have any questions regarding the report or accompanying documents, please do not hesitate to contact me.

Antoinette (Toni) Sanford

Attachment.



Office of Senator Antoinette (Toni) Sanford Assistant Majority Leader

TWENTY-SEVENTH GUAM LEGISLATURE

Chairwoman, Committee on Economic Development, Retirement, Investments, Public Works and Regulatory Functions
Suite 15B Sinajana Mall, 777 Route 4 Sinajana, Guam 96926 / Telephone (671) 479-TONI Fax (671) 479-8667

BILL NO. 351, as amended: AN ACT TO ESTABLISH THE "GOVERNMENT OF GUAM HEALTH INSURANCE REVIEW COMMITTEE" RELATIVE TO CONDUCTING A STUDY AND MAKE RECOMMENDATIONS FOR PROVIDING AFFORDABLE QUALITY HEALTH CARE TO ACTIVE AND RETIRED GOVERNMENT OF GUAM EMPLOYEES.

	TO PASS	NOT TO PASS	TO ABSTAIN	INACTIVE FILE
<i>AS</i> TONI SANFORD Chairperson		✓		
<i>Frank B. Aguon, Jr. 4/9/04</i> FRANK B. AGUON, JR. Vice-Chairperson & Acting Chairperson		✓		
<i>Larry Kasperbauer</i> LARRY KASPERBAUER Member		X		
LOU LEON GUERRERO Member				
<i>Jesse A. Dujan</i> JESSE A. DUJAN Member		✓		
<i>Tina Muna-Barnes</i> TINA MUNA-BARNES Member		✓		
<i>John M. Quinata</i> JOHN M. QUINATA Member				
RORY J. RESPICIO Member		✓		
<i>Ben C. Pangelinan</i> BEN C. PANGELINAN Speaker & Ex-officio Member		✓		



Office of Senator Antoinette (Toni) Sanford
Assistant Majority Leader

TWENTY-SEVENTH GUAM LEGISLATURE

Chairwoman, Committee on Economic Development, Retirement, Investments, Public Works and Regulatory Functions
Suite 15B Sinajana Mall, 777 Route 4 Sinajana, Guam 96926 / Telephone (671) 479-TONI Fax (671) 479-8667

November 16, 2004

Senator Lou Leon Guerrero
Chairperson, Committee on Rules & Health
TWENTY-SEVENTH GUAM LEGISLATURE
155 Hesler Street
Hagatna, Guam 96910

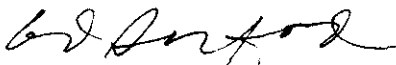
Dear Senator Leon Guerrero,

The Committee on Economic Development, Retirement, Investments, Public Works and Regulatory Functions, to which **BILL NO. 351: AN ACT TO ESTABLISH THE "GOVERNMENT OF GUAM HEALTH INSURANCE REVIEW COMMITTEE" RELATIVE TO CONDUCTING A STUDY AND MAKE RECOMMENDATIONS FOR PROVIDING AFFORDABLE QUALITY HEALTH CARE TO ACTIVE AND RETIRED GOVERNMENT OF GUAM EMPLOYEES** was referred, wishes to report its findings and recommendation **TO DO PASS** as amended by the Committee.

The voting record is as follows:

TO PASS	<u>6</u>
NOT TO PASS	<u>0</u>
ABSTAIN	<u>0</u>
TO PLACE IN INACTIVE FILE	<u>0</u>

Copies of the Committee report and other pertinent documents are attached.


Antoinette (Toni) Sanford
Chair

Attachment.

**COMMITTEE ON ECONOMIC DEVELOPMENT, RETIREMENT,
INVESTMENTS, PUBLIC WORKS, AND REGULATORY
FUNCTIONS**

Twenty-Seventh Guam Legislature
155 Hesler Street, Hagatna Guam 96910



**COMMITTEE REPORT
ON**

Bill 351(COR) “An act to establish the “Government of Guam Health Insurance Review Committee” relative to conducting a study and make recommendations for providing affordable quality health care to active and retired employees.”

COMMITTEE MEMBERS

Chairperson Senator Toni Sanford

Vice-Chairperson Senator Frank B. Aguon, Jr.

Majority Members

Senator Lou Leon Guerrero

Senator Tina Muna Barnes

Senator John M. Quinata

Senator Rory Respicio

Speaker ben c. pangelinan (ex-officio)

Minority Members

Senator Jesse A. Lujan

Senator Larry Kasperbauer

I. OVERVIEW

A. Purpose and Essential Elements

The purpose of Bill 351 “An act to establish the “Government of Guam Health Insurance Review Committee” relative to conducting a study and make recommendations for providing affordable quality health care to active and retired employees” is to provide for a study to be made which will serve as an analysis tool for decision makers, help facilitate data analysis and benchmarking of GovGuam’s health choices.

B. Public Hearing Conducted

The Committee on Economic Development, Retirement, Investments, Public Works and Regulatory Functions conducted a public hearing at 9:00 a.m. Wednesday, October 27, 2004 in the Legislative Public Hearing Room, I Liheslaturan Guahan, in Hagatna. Public notice was provided on October 20, 2004 and October 25, 2004.

Committee Chairwoman Toni Sanford called the public hearing to order at 9:10 a.m. in the Legislative Public Hearing Room. Committee member present was: Speaker Ben C. Pangelinan. Non-Committee member present was Senator Robert Klitzkie.

Individuals who appeared before the Committee and provided testimony were: Mr. Andy Jordanou, Acting Commissioner of Insurance and Banking; Mr. Wilfred Aflague, Executive Director of the Guam Retirement Fund; Mr. Joe T. San Agustin, Chairman of the Board, Guam Retirement Fund; Ms. Lou Perez, Director, Department of Administration; and Ms. Cecilia Martinez, Human Resources Manager, Department of Administration.

II. SUMMARY OF TESTIMONY

Chairwoman Sanford welcomed everyone present and read Bill 351 as introduced and sponsored by Senator Lou Leon Guerrero, co-sponsored by Senator Toni Sanford and Senator Ben Pangelinan, which is an act to establish the Government of Guam Health Insurance Review Committee, relative to conducting a study and to make recommendations to providing affordable quality health care to active and retired Government of Guam employees.

Andy Jordanou (Acting Banking and Insurance Commissioner) was the first to testify on Bill 351. Mr. Jordanou read from prepared testimony, adding that health care is a vital important aspect to the community, especially the Government of Guam retirees and active Government of Guam employees. The bill is a good bill and he is in favor of it; however, he made recommendations for the committee’s consideration. One section in particular is Section 310. The composition of the Government of Guam Health Insurance

Review Committee itself is the representative from the Health Insurance Industry involved in establishing the premiums of a group of insurance care service plan to be appointed by the Governor. It is his opinion that the representative would work to further the agenda of the health insurance industry as opposed to the agenda of the government. He would prefer to see instead a more appropriate person that his office suggested could be a person from the University of Guam, either a professor or an associate professor in mathematics or economics as a member that would go hand in hand in the research and studies to make sure that it does comply with the economic overview of the island as well as to validate the mathematical research that they are going to do with the study. He would prefer to have that, as opposed to an insurance individual. The other area is the appropriate qualifications of the actuary should be noted in the bill that the actuary should possess the qualifications of a fellow casualty actuary society in good standing with the American Academy of Actuaries. And also, the actuary must have provided an actual study of any municipal state or national government or demonstrate that this health plan or plans are still current in place and is valid and is working. Mr. Jordanou feels that the \$75,000 appropriated for the study is somewhat low, placing emphasis that a good qualified actuary runs on an average of about \$250.00 an hour, and estimating that the study will probably be done in six months. Health care is a very important issue especially for the Government of Guam retirees; therefore, he doesn't feel we should fast track it and emphasizes that we need to get an expert to do it.

Wilfred Aflague: The board of trustees support bill 351 because it attempts to resolve the issues regarding high rising costs of health care benefits for retirees, survivors and active Government of Guam employees. The Retirement Fund board would also want to work with this committee. Some recommendations involve health insurance negotiations. The hospital always plays an integral part in the determinations, which at times affects the rates after negotiations because of its mandate. The Retirement Fund would recommend that Guam Memorial Hospital be a member of this committee. The Retirement Fund position on contracting is that it should be more in the range between \$125,000 and \$150,000 just to get the actuary with the proper qualifications. Mr. Aflague is in agreement with Andy Jordanou that maybe 4 months is too fast a track to work in getting the data together, allowing that perhaps 6 to 9 months is an appropriate time to get all its research and findings put together for the benefit of retirees and active employees of the Government of Guam.

Lou Perez (Director, Department of Administration): The Department of Administration is in favor of this bill and welcomes the formation of this review committee, seeing the necessity for it. DOA is concerned with the rising costs of health insurance, especially in the last few years where the increases have been borne by the employees and retirees. DOA welcomes this study, appreciating the legislatures interest in trying to put this review committee together to perform a comprehensive study. Based on her own experience, Ms. Perez shared the same concerns about funding for this project as not being adequate, adding that 120 days is inadequate to complete the study. She believes that it should be closer to a year or more to really do a good study especially since the bill actually identifies what is involved in this study. She agrees with the Director of the Retirement fund that the hospital should have a member on the

committee, and has reservations with just having one member from a health insurance company; however, she doesn't want too many on the committee because of potential conflicts of interest and favoritism.

Cecilia Martinez (DOA Human Resources Manager) agrees with all the testimonies this morning. With regard to the make up of the committee, she noted that the more we have in the membership, the more difficult it is to come to a consensus, so she recommends that we make it as small a group as possible, with decision makers and people who are knowledgeable in the health insurance field. With regard to the established budget for the study, Ms. Martinez noted that, in addition to the low anticipated fee for the study, there are administrative costs that come with the project and monies need to be identified to cover these and other related expenses.

Chairperson Sanford thanked the attending panel and opened the floor up to her colleagues.

Speaker Ben Pangelinan: I believe that this is going to be a worthwhile project. It is something that everybody is struggling across both private companies as well government across the country is struggling with health care costs. It is the fastest rising cost of employee cost factor, in any setting, private or public sector. The only question I have I know that we used benefits consultants in the past that are better at structuring benefit plans and programs and if we got this specific with regards to the designation that might rule out other sub specialties in the group that are not part of this.

Senator Bob Klitzkie: Wilfred, in your testimony, you have a sentence that reads that the retirement fund requests that the committee also include the health care cost of those retirees and survivors who currently reside off island. Could you explain?

Wilfred Aflague: Yes sir, the board of trustees are concerned of the retirees off island and we have been getting inquiries regarding the health care costs because it is rising just as fast for them as it is for us. In the past legislature, monies were appropriated to reimburse off-island retirees for that amount that they would have paid if they had been residing on Guam. That appropriation has since disappeared and we get inquiries as to reimbursement of their health insurance premiums. And so the board is concerned, not just for retirees on island and the active employees but also retirees' off-island. And that is going to make the work of this committee very difficult.

Senator Bob Klitzkie: Well, let me make my question a little more specific then. Obviously the board is concerned otherwise this wouldn't be here but I am curious about the nature of the concern. I can see a situation where I think we subsidize retirees about a\$108.00 a month for a single health insurance premium. So I could see in the name of symmetry that every retiree, if he doesn't sign up for the group policy then he has the option of receiving \$108.00 a month. That would be one thing. But even that, I think goes a little bit farther because there are some people who have Medicare that don't sign up for insurance at all. So they in a sense then, that 108.00 is a savings to the government because they don't sign up for health insurance so I could see some wisdom in extending or providing 108.00 a month to people who actually procure health insurance off-island.

But to try to establish a group that would include everyone off-island, I think we obviously have a gargantuan task to try to establish that group that it would make all of the rest of the things that we are doing miniscule by comparison. And I just wonder why we would even want to go there.

Wilfred Aflague responded that the board of trustees has made this very clear that all that they are coming from in that instance is that they just want to provide as part of their fiduciary duty that their concern is to all Gov-Guam retirees, whether or not they reside here on island or off island. And I agree with you and the board agrees with you, this is a gargantuan task.

Senator Bob Klitzkie: It would be such a huge task that I would almost suggest that it would be a breach of their fiduciary duty to consider such a thing. The \$108.00 a month seems logical, but to take to establish a worldwide retirement fund for Government of Guam employees is a pretty big order. There is a sentence in Wilfred's testimony that says that the Retirement Fund requests that the committee also include health care costs for those retirees and survivors who currently reside off-island. I suggested that if we were to reimburse off island retirees who paid premiums to group health insurance an amount equal to the subsidy that we provide to other retirees, I could see the wisdom of that, if for no other reason than on the basis of symmetry and equality but to establish to what amounts to a worldwide group for health insurance for off island retirees would be such a huge undertaking that it would just seem to be just beyond the scope of the Department of Administration and the negotiations that they enter into which are already exceedingly complex and then upon further reflection and conferring with my colleagues it becomes even less palatable to me when you consider who pays the premium for the health insurance that would arise from the results of that study. That's one thing to not provide a health insurance plan for off island retirees right now. But if the cat got out of the bag that we could provide health insurance for off island retirees for \$1,500.00 a month or something like that we don't make things easier for ourselves, we make them more difficult.

Joe T. San Agustin: I think there are about 1,200 retirees off island. In the previous administration, the legislature did appropriate funds to reimburse what it would cost for the retirees buying insurance premiums and reimburse that. That is one; the other thing that the board is looking into to try to piggy back with the federal civil service system, the federal employees are world wide, they are covered, whether they are retired on Guam or retired in San Francisco, they have one basic policy that covers them. So that is an avenue that we are looking at, somewhere that we can piggy back, in fact if you piggy back in the federal employees retirement program, its a lot cheaper for the Government of Guam. In fact, right now, its cheaper if you're a federal civil service employee, even local civil service employees, retiring, paying the insurance the same coverage, actually it is cheaper than the government employees. These are people that we are looking for avenues on how to fund them to make them more if you can piggyback. Remember that the federal employees has a million people membership, and perhaps we could get the federal government to agree to be apart of that negotiation. We used to be a part of the whole thing with the federal employees, but somewhere or another our insurance provider here thinks of Gov Guam as a single population base and that they have a high

risk potential, and that we are hospital prone. Therefore it is cheaper to be in the private insurance policy than Gov Guam employee, which is unthinkable. Atkins Kroll employees have a lot cheaper health insurance than Gov Guam employees, now there is something wrong in that negotiation. We have a population base of 12,000 to 15,000 employees; yet you have a firm of less than a hundred people, have a better insurance rate. If there is going to be a comprehensive review of the health insurance there should be a totality being everyone's concern, now whether that's cost wise, that is what the review is going to reveal. I think the review is going to reveal what is the high risk potential, what kind of cost, whether you should piggy back the retirees on the active which this is exactly what we have with this program now. Pacific Care itself, has opted to try to get out because of the high risk and yet why is that, the Government of Guam employees have to maintain a higher rate. There is a cost impact involved in here and we need to look at it real closely.

Senator Bob Klitzkie: My next question is for Lou, isn't the process that this committee will go through sort of like the process that you go through in preparation for the negotiations that you do.

Lou Perez: We should have some of that information readily available to help this review committee. And it is performing its task. So yes, we do have a lot of that information, we have data going back a few years, in terms of employees and retirees who have taken what insurance and the benefits, so we have much of that information available already.

Senator Rory Respicio: I certainly support this bill because it may result in lower health insurance premiums if we go and do an actual comprehensive study, but I just want to know is the finding to this binding? Are we only to give the report to the governor and to the speaker of the legislature and you mentioned that DOA chairs the annual health insurance rates, but will the findings be shared with this committee. There is no mandate to give a copy to the annual health insurance rates.

Senator Lou Leon Guerrero: I was hoping that the results of this study may be a policy or a change maybe in our payment process for the delivery of services. That is what I was hoping to get out of the review committee. What options do we have that we can use that would decrease first the cost of health care insurance to our people and how can we also look at it to include everybody maybe on a universal health insurance basis. Those are the kinds of findings that I would like to see out of this committee. And then say and make a government policy for the recommended option that is best for everyone.

Senator Rory Respicio: The current policy, I imagine, is very vague that the negotiators have cart blanche to decide and there is no statutory structure to make sure that we get the best deal.

Senator Lou Leon Guerrero: No, there is a statutory structure with the negotiations and so forth, they allow for the representatives of each government agencies to meet and offer suggestions in terms of benefits, they bring forward consumer concerns from their

representative agencies and so forth and there is opportunity to change the request for proposal and so there is a structure there. I think the bigger issue is what structure is it that we want and how can we get an insurance to the people that would allow everybody accessibility and at a low cost.

Senator Rory Respicio: My last comment is to request to the panel an exact amount that this appropriation will require. You are saying DOA that \$75,000 is not enough retirement to provide \$125,000 to \$150,000 dollar range, and now as we continue to nickel and dime all these appropriations, it would be nice if you would give an actual breakdown together with the time line so that this bill is defensible when we get to the floor of the legislature.

Speaker Joe T. San Agustin: I think we just raised the composition of the committee. I think there should be a concern that the retirees are our biggest consumer and that we should have a voting part in the negotiations, we should have an interest rather than just as an observer. Right now, the retirement people are basically just an observer on this negotiation committee. And I know that in my past previous exposure to this committee is that an outside consultant is brought in, and sometimes the consultant is dictating the negotiations and quite frankly, my experience in the last administration, I was apart of that negotiation, I just said forget it, I am not going to be a part of it because its being dictated by the people from off island and that is why I feel that there should be a complete review of even the methodology and the data and information that we have rather than based on somebody who is from the states or from Honolulu brought in here and use their data. I sat on the negotiations in the last past administration, that individual was conducting the meeting and actually consulting and so I just walked out on that meeting because we didn't have an input, there was no concern about the actual data of our own people, the experience ratio, the type of illness and the various areas. All their concerns is what is good for Hawaii and what the industry itself and how it applies to Guam. I think that is our main problem, why our Government of Guam employees are paying a high insurance premium, for the same coverage of a private employee. And I think that is the data that we need to compile island wide.

Andy Jordanou: Regarding the cost and the time frame, I think it is too short. Realistically, my experience is, an actuary is \$250.00 on an average per hour but I think if you want to do the thing right, you send it out to bid and get a proper quote you can put a hundred thousand or what ever, but I don't think that is not to exceed without the board approval and recommendation from the committee, I would send it out for bid, I wouldn't just isolate it here, there are qualified experts that can do this research and its going to be provided to the committee anyway, and we sit in on our office, we have a sitting capacity on this committee to look at it. I do have my counterpart in Hawaii, the State Insurance Commissioner that mentioned that they do have a branch of health insurance there and I have already been in touch with one of them there to provide me with some input on some of the issues that we are addressing here. They can give me some information on some of the actuaries on how much it would actually cost, but I don't think we should just say not to exceed with board committee approval.

Senator Lou Leon Guerrero: I did want to say that the reason that I did not put in there the position of the hospital administration is they are a provider of service. The reason I put public health in is public health is an administrator of health insurance with MIP, Medicaid and Medicare. That is why I did not put GMH in there. They are a provider of service, they get paid for the service and I think DOA has those numbers in terms of insurance cost so that is the only reason why I did not put it because I feel if I put them in then I would have to put mental health in and so that was the only reason. Unless you guys feel that there is something very critical that we are missing if we don't put them in.

Chairwoman Sanford concluded that she is in favor of the bill, stating that the comments presented at this morning's public hearing will be entertained by the committee and the author of the bill to make any amendments as needed. After thanking everyone present, the Chairwoman adjourned, concluding the hearing on Bill 351.

III. COMMITTEE FINDINGS

The Committee on Economic Development, Retirement, Insurance, Public Works, and Regulatory Functions finds that it is in the best interest of the current and retired employees of the Government of Guam to establish this Health Insurance Review Committee as stated in this legislation.

IV. COMMITTEE RECOMMENDATIONS

The Committee on Economic Development, Retirement, Investments, Public Works, and Regulatory Functions recommends Bill 351 to be reported out as amended with a recommendation TO DO PASS.

October 26,2004

TESTIMONY-COMMENTS TO BILL NO. 351 FOR PUBLIC HEARING ON OCTOBER 27, 2004 AT THE LEGISLATURE

MADAM CHAIRWOMEN SENATOR SANFORD, THE FOLLOWING ARE COMMENTS RELATIVE TO BILL 351:

Sec.3 (10). The composition of the Government of Guam's Health Insurance Review Committee includes " A representative from the health insurance industry involved in establishing premiums of a Group Insurance Care Service Plan to be appointed by the Governor."

It is the opinion that a representative from the health insurance industry would work to further the agenda of the health insurance industry as opposed to the agenda of the Government. In lieu of a representative from the insurance industry, it might be more appropriate to have a representative from the University of Guam who is either a Professor or Associate Professor in Mathematics or Economics as a member of this Committee.

Section 6. Appropriation: The qualifications of an Actuary to be hired by the Committee are not stated in this Bill. The suggested qualifications are as follows:

- 1. The Actuary must possess the qualification of a Fellow Casualty Actuarial Society (FCAS) in good standing with the American Academy of Actuaries.**
- 2. The Actuary must have provided an actuarial study for any municipal, state or national government and demonstrate that this health plan or plans are still currently in place.**

"The Committee is appropriated \$75,000 for the purpose of hiring an Actuary for the study"

Wilfred G. Aflague
Director

Felix P. Camacho
Governor

Kaleo S. Moylan
Lieutenant Governor



424A Route 8, Maite, Guam 96910
Telephone Nos. 671.475.8900/8901
Facsimile No. 671.475.8922
www.govguamretirement.com

Joe T. San Agustin
Chairman
Dr. Wilfred G. Leon Guerrero
Vice-Chairman
James J. Taylor, Ph.D.
Secretary
Katherine T.E. Taitano
Treasurer
George A. Santos
Trustee
Anthony C. Blaz
Trustee
Gerard A. Cruz
Trustee

GOVERNMENT OF GUAM RETIREMENT FUND
BOARD OF TRUSTEES' POSITION STATEMENT REGARDING BILL 351

October 26, 2004

The Board of Trustees supports Bill 351 in concept because it attempts to resolve the issue regarding the rising costs of health care benefits for retirees, their survivors and active government of Guam employees as follows:

- 1) **The Establishment of the Government of Guam Health Insurance Review Committee.** The Retirement Fund agrees with the study to reevaluate the healthcare marketplace on Guam in order to provide affordable health care for active employees, retirees and their survivors as current health care costs have significantly increased over the past 5 years. Thus, creating a negative impact on the net income of the government employees and retirees. The Retirement Fund requests that the committee also include the health care costs for those retirees and survivors who currently reside off-island. Currently, group health care benefits provided by GovGuam do not extend to those retirees who reside off-island and the rising health care costs also impact the net income of those retirees and their survivors. *1200 RETIREES OFF ISLAND*
- 2) **Composition of the Government of Guam Health Insurance Review Committee.** The Retirement Fund recommends that an eleventh member of the Committee be the Administrator from the Guam Memorial Hospital or his designee as this study will directly affect the hospital's current operations and revenues.
- 3) **Appropriation.** Based on the current costs for actuarial studies conducted by the Fund, the Retirement Fund feels that this type of study may cost the government closer to \$125,000 - \$150,000. All unexpended monies shall revert back to the General Fund.

In closing, the historical trend in the increase in health care costs and decrease in health care benefits has garnered not just local attention but national attention as well. For many retirees retirement income equates to a reduction in income and many of our GovGuam retirees and their survivors cannot afford the cost of health care today. The creation of this Health Insurance Review Committee is a step toward considering options and identifying resolutions that will meet sufficient health care needs and provide a cost savings for active employees, retirees and their survivors.

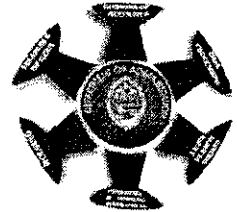
The Retirement Fund supports the passage of Bill 351.



Felix P. Camacho
Governor
Kaleo S. Moylan
Lieutenant Governor

GOVERNMENT OF GUAM
(GUBETNOMENTON GUAHAN)
DEPARTMENT OF ADMINISTRATION
(DIPATTAMENTON ATMENESTRASION)
DIRECTOR'S OFFICE

(Ufisinan Direktot)
Post Office Box 884 • Hagatna, Guam 96932
• Tel (671) 475-1101/1250 • Fax: (671) 477-6788



Lourdes M. Perez
Director
Joseph C. Manibusan
Deputy Director

October 27, 2004

Senator Antoinette Sanford
Chairwoman, Committee on Economic Development, Retirement,
Investments, Public Works and Regulatory Functions
27th Guam Legislature
Hagatña, Guam 96910

Re: Bill No. 351 - Establishment of a Guam Health Insurance Review Committee

Dear Senator Sanford and Members of Your Committee:

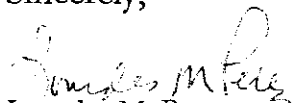
The Department of Administration is in support of Bill No. 351

As you may know, the Department of Administration chairs the Government's committee that negotiates annual health insurance rates and benefits with health insurance providers. As is noted in the Bill, health insurance premiums have been steadily increasing over the last few years. The Negotiating Team has raised concern over these increases, especially since the increases have been borne by the employees and/or retirees. We welcome the formation of a committee dedicated to the study of improving the health of GovGuam active employees and retirees by increasing access to affordable, comprehensive and quality health care coverage.

We do, however, have concerns about the Bill. The Bill appropriates a certain sum of money (\$75,000) to fund the study. We do not feel that that funding is adequate. The Bill also mandates that the committee shall issue a written report no later than 120 days after its initial meeting. We feel that that is not adequate time to issue a comprehensive report. Also, we have concerns over the membership, in particular the representative from the health insurance industry. The concern we have is one of conflict of interest, and possibly bias and favoritism, especially if the representative is from one of the three health insurance providers for the Government of Guam.

Thank you for this opportunity to present our comments.

Sincerely,


Lourdes M. Perez