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FY18 Group Health Insurance Program - Memo to 34th Guam Legislature

2 messages

Adrian L. Peregrino <Adrian.Peregrino@doa.guam.gov> Mon, Jul 31, 2017 at 3:20 PM
To: "Honorable Benjamin J.F. Cruz" <senator@senatorbjcruz.com>
Cc: Christine Baleto <Christine.Baleto@doa.guam.gov>, "Leonora P. Candaso" <Leonora.Candaso@doa.guam.gov>, Hermina Certeza <hermina.certeza@senatorbjcruz.com>, Priscilla Cruz <pcruz@guamlegislature.org>, Tricia Pocaigue <hr.payroll@guamlegislature.org>

Hafa Adai Speaker,

Please see the attached scanned memo referencing the above-mentioned subject.

Kindly confirm upon receipt.

Regards,

Adrian L. Peregrino
Personnel Specialist II
Employee Benefits Section
Human Resources Division
Dept. of Administration
T: 671-475-1296
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GL#34 F-797
Speaker Benjamin J.F. Cruz
JUL 31 2017
Time: 327 [ ] AM [ ] PM File No. ____
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FY18 GHI Memo to 34th Guam Legislature HRD 17-646.pdf
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Hermina Certeza <hermina.certeza@senatorbjcruz.com> Mon, Jul 31, 2017 at 3:27 PM
To: Clerks <clerks@guamlegislature.org>
Cc: Rennae Meno <rennae@guamlegislature.org>, BENJAMIN CRUZ <speaker@senatorbjcruz.com>

7/31/2017	7/31/2017	Department of Administration	FY18 Health Insurance Program	34-17-797

[Quoted text hidden]

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Si Yu'os ma'åse'

Hermina R.B. Certeza

OFFICE OF SPEAKER BENJAMIN J.F. CRUZ
Committee on Appropriations and Adjudication
I Mina'trentai Kuåtro na Liheslaturan Guåhan
Guam Congress Building | 163 Chalan Santo Papa | Hagatna, GU 96910
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2017 JUL 31 PM 3:27

FY18 GHI Memo to 34th Guam Legislature HRD 17-646.pdf
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0797

Eddie Baza Calvo
Governor
Ray Tenorio
Lieutenant Governor

DEPARTMENT OF ADMINISTRATION
(DIPATTAMENTON ATMENESTRASION)
DIRECTOR'S OFFICE
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Christine W.P. Baleto
Director
Vincent P. Arriola
Deputy Director

HRD No.: 17-646

JUL 3 1 2017

The Honorable Benjamin J.F. Cruz, Speaker
Chairman, Committee on Appropriations and Adjudication
I Mina' Trentai Kuåttro Na Liheslaturan Guåhan
Suite 107, 155 Hesler Place.
Hagatña, Guam 96910

Subject: FY18 Health Insurance Program

Buenas yan Hafa Adai! The FY 2018 health insurance negotiations were successfully concluded for employees, retirees, survivors and foster children of the Government of Guam. Transmitted herewith, pursuant to Title 4 GCA, Chapter 4, §4302(c)(2), is information relative to approved rates and benefits for the upcoming insurance year.

The negotiating team, along with Aon Consulting, successfully negotiated savings for the selected non-exclusive option. Under the non-exclusive scenario, the government negotiated a savings of over $3.4 million which represents the difference of the initial proposed rates and the final negotiated rates. The projected annual decrease in GovGuam costs for FY18 as compared to FY17 is $1.89 million.

Negotiations for the Foster Plan also resulted in savings for the government which pays 100% of the premiums. The premium for the Foster Plan was rated cheaper under the non-exclusive scenario as compared to the exclusive plan. This represented a savings of $266,000 for the Government.

Please see attached signed briefing memo for more detailed information and final selection of the non-exclusive approach. *Si Yu'us Ma'ase.*

Senseramente,

Christine W. Baleto, Director
Department of Administration

*Attachment: FY18 Signed Briefing Memo

Eddie Baza Calvo
Governor
Ray Tenorio
Lieutenant Governor

DEPARTMENT OF ADMINISTRATION
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Christine W. P. Baleto
Director
Vincent P. Arriola
Deputy Director

MEMORANDUM – amended 7.7.17

TO: Governor of Guam

FROM: Government of Guam Health Insurance Negotiating Team

SUBJECT: Health Insurance Negotiations for FY 2018

Hafa Adai! Health insurance negotiations for FY 2018 were successfully concluded in accordance with the group health insurance benefit law for employees, retirees, survivors and foster children of the Government of Guam found in Chapter 4 of Title 4, Section 4301, Guam Code Annotated. The Government of Guam Health Insurance Negotiating Team hereby presents the findings for the Government of Guam Health Insurance Program for FY 2018.

The GovGuam Healthcare Negotiating Team ("the Team"), in partnership with Aon Consulting, successfully negotiated savings versus proposed renewals of over $3.4 million (Non-Exclusive) / $11.8 million (Exclusive) for FY 2018. These savings represent the difference of the initial proposed rates and the final negotiated rates.

This process, as provided in law, required each offeror to submit an exclusive offer and a non-exclusive offer. The exclusive offers assumed that there would only be one insurer made available to government employees, retirees and survivors.

The non-exclusive offers assumed that there would be up to three contracts negotiated for group health insurance. Each of the three insurers were required to offer identical plan designs.

Three offerors (NetCare, SelectCare, and TakeCare) submitted both an exclusive offer and a non-exclusive offer. Consistent with the provisions of the Request for Proposals, the Team evaluated the three exclusive offers. The Team also evaluated the three non-exclusive offers for compliance with the requested plan design. The Team proceeded to negotiate with the offerors for an exclusive contract, and ranked the three best and final offers, selecting the top ranked offeror as the carrier to be recommended to the Governor for consideration.

This process then produced a final plan design which was then detailed for the three non-exclusive bidders who then provided their best and final offers for the same plan design as the exclusive.

Guam law requires the Team to forward the most economical and beneficial health insurance proposal for the Government of Guam employees, retirees, and survivors to the Governor in the

form of one exclusive contract and up to three non-exclusive contracts for group health insurance. The Governor then must consider and award either one exclusive contract or three non-exclusive contracts.

The financial results for each of the two approaches are as follows:

I. CURRENT ESTIMATED ANNUAL PREMIUMS FOR FY 2017
Total premiums for medical, prescription drug, and dental, based on current enrollments, are as follows, broken out by GovGuam payments, employee/retiree contributions, and total premiums.

	GovGuam	EE/Ret	Total
Medical & Prescription Drugs:	$ 73.00M	$ 14.76M	$ 87.76M
Dental:	$ 2.85M	$ 4.30M	$ 7.15M
Combined:	**$ 75.85M**	**$ 19.06M**	**$ 94.91M**

It should also be noted that the above premiums are not final as the FY 2017 plan year includes a "Participating Contract Agreement" that will be calculated and paid out as appropriate at the end of April 2018 in accordance with the current contract. This agreement protects GovGuam from overpaying premiums each year. If there is a shortfall, the carrier(s) is/are allowed to include the amount of such shortfall in the next plan year's rates, if GovGuam continues with the same carrier(s).

II. **MANDATED FOSTER CHILDREN COVERAGE** – The Negotiating Team is required to procure health insurance coverage for Foster Children under the care of CPS. The requirement is full Health Insurance coverage for these children which include full payment of:

- Medical care with no deductibles or co-insurance (i.e. 100% payment of all claims).
- Dental care with no deductibles or co-insurance at 100% of costs.
- Prescription drug coverage paid at 100% of costs.

DOA is responsible for managing this program on a separate rate/cost basis under the current GovGuam employee and retiree program. However, since the benefits and utilization are very different from the employee plan, this will be tracked as a separate line item under the current plan. For FY 2017, premiums for Foster coverage (paid 100% by the Government of Guam) totaled approximately $471,000.

In the event of a non-exclusive approach for FY2018, the foster coverage will be placed with the vendor guaranteeing the lowest rate. For FY2018 that vendor is SelectCare. Costs for this portion of the plan will be $286.00 per child per month for an estimated annual cost of $549,000 for an estimated 160 children.

Under an exclusive approach with TakeCare, the premium cost will be $424.50 per child per month. The estimated annual cost will be $815,000.

III. EXCLUSIVE OPTION

If this approach is selected, only one vendor is utilized for coverage. The successful vendor was determined from the following Negotiating Team scores:

- TakeCare: 2028 points
- SelectCare: 1757 points
- NetCare: 968 points

If the Exclusive Option is selected, the plan details will include:

- TakeCare as the single insurer

  In addition, although the rates for foster coverage quoted by SelectCare are the lowest, in the event that an exclusive insurer is chosen, the foster coverage will be placed with the exclusive insurer regardless of the foster children rates;

- A Participating Agreement offered by the exclusive vendor (TakeCare), providing a 13% retention rate, allowing for Target Experience to be calculated by multiplying total premiums earned by 87%, and resulting in a potentially higher Participating Contract Refund for FY 2018 (or lower deficit if actual experience is a negative amount); and

- Overall annual premiums of **$80.16M (Government share**provide a breakout of EE and GG share**, representing a potential estimated **savings of $15.23M** from FY 2017 annual costs of **$95.39M (amounts stated in Sections I and II above of $94.91M Active and Retiree Medical, Rx, and Dental; $471K Foster)** which would directly benefit the Government of Guam, the employees, and retirees financially. (Note: due to the participating contract, this savings could be higher or lower, depending on the actual FY18 claims experience. Also, actual FY 2018 enrollment may cause variances in the estimates provided).

IV. NON-EXCLUSIVE OPTION

If this approach is selected, it will allow each employee and retiree to continue to choose from three different insurance carriers, all of whom will offer a uniform plan design.

This approach would:

- Yield overall annual premiums of **$101.01M**, representing a potential estimated **increase of $5.62M** from FY 2017 annual costs of **$95.39M. Additionally, this approach will** provide for an annual estimated decrease in GovGuam costs of ($1.89M) versus FY17, with employees / retirees' contributions increasing by $7.51M. This assumes current enrollment into the various carriers' plans continue; employees have the option to reduce required contributions via carrier selection. This further assumes the suggested government contributions found in Exhibit B are implemented in FY18. However, until FY18 enrollment is

completed, and the government contribution is defined, the actual costs could vary from this amount;

- Continue the protection of the Participating Agreement which protects the Government by requiring an annual settlement and return of any excess premiums which were paid. It guarantees 14% retention for each insurer, for the plan and allowing for Target Experience to be calculated by multiplying total premiums earned by 86% and resulting in a higher Participating Contract rebate for FY 2018 (or lower deficit if Actual Experience is a negative amount).

VI. PHASE VI CONSIDERATIONS

A. Accept all Team negotiated terms and rates as submitted.

B. Maintain the same philosophy of current government and employee/retiree contributions for both the 1500 and 2000 plan, when employees choose the lowest cost carrier available for each plan. The government contribution is fixed across carriers, so that employees will benefit from proper assessment of options. Additionally, the Team negotiated a Retiree vs. Active premium ratio not to exceed 3 to 1, which results in favorable government contributions versus FY17.

C. Under a non-exclusive contract, the Government pays 100% of the Retiree Supplement Plan premium for any carrier the retiree selects for RSP coverage.

We have assumed that the number of retirees currently enrolled in the Retiree Supplement Plan will stay the same. Variances from this assumed enrollment will impact the estimated costs.

D. Foster children

1. Under the exclusive option, TakeCare would be the sole carrier and they have quoted $424.50 per member for Medical and Dental coverage.

2. Under the non-exclusive option, the foster children would be enrolled in the lowest cost plan. For FY18, SelectCare offered the lowest rates for foster children at $286.00.

E. Based on the analysis outlined above in Section III and IV, continuing with the non-exclusive approach in FY18 will provide an annual overall decrease of $1,890,000 for government contributions. Moving to the exclusive approach will lower the estimated annual cost to $80,160,000, a reduction of $15,230,000 from FY17. Attached we have provided rate options for cost sharing between GovGuam and its employees/retirees/survivors.

Exclusive Contract (Exhibit A)

- The FY18 employee dollar contribution remains the same as the lowest vendor employee contribution under the FY17 plans.

Non-Exclusive Contract (Exhibit B)

- The FY18 employee dollar contribution remains the same as under the lowest vendor rate under the FY17 plans. The government pays the difference, and the dollar amount is carried to the other carriers; and

- The government contribution is fixed across carriers, so that employees will benefit from proper assessment of options. Additionally, the Team negotiated a Retiree vs. Active premium ratio not to exceed 3 to 1, which results in favorable government contributions versus FY17.

Thank you for the opportunity to present the results of the FY18 Health Insurance Negotiations. I am available should you have any questions or need additional clarification. *Si Yu'us Ma'ase.*

Senseramente,

JUL 07 2017

Christine W.P. Baleto

The following items are for your consideration and approval:

Recommended changes for FY18	Approved	Disapproved
Exclusive contract	/ /	\ /
Non-Exclusive contract	\ /	/ /
Accept negotiated rates	\ /	/ /
Accept Retiree Supplemental Plan	\ /	/ /
Coverage for Foster Children to lowest non-exclusive rate (if non-exclusive contract Is selected)	\ /	/ /

RAYMOND S. TENORIO
LIEUTENANT GOVERNOR OF GUAM

Government of Guam

FY2018 Group Health Insurance Program

EXHIBIT B - Medical & Dental Rates - Active Bi-Weekly, Retiree Semi-Monthly - Non-Exclusive FINAL

SELECTCARE 2000			TAKECARE 2000			NETCARE 2000		
GOV	EMP	TOTAL	GOV	EMP	TOTAL	GOV	EMP	TOTAL
47.90	0.10	48.00	47.90	1.94	49.84	47.90	0.00	47.90
76.37	23.79	100.15	76.37	26.64	103.00	76.37	23.27	99.64
64.24	19.76	84.00	64.24	22.63	86.87	64.24	19.59	83.83
106.59	33.26	139.85	106.59	36.76	143.35	106.59	32.33	138.92
155.40	0.10	155.50	159.88	2.10	161.98	155.69	0.00	155.69
299.23	25.77	325.00	305.91	28.86	334.76	298.62	25.21	323.83
251.09	21.41	272.50	257.80	24.51	282.31	251.23	21.22	272.45
416.97	36.03	453.00	426.06	39.83	465.89	416.46	35.02	451.49
SELECTCARE 1500			TAKECARE 1500			NETCARE 1500		
GOV	EMP	TOTAL	GOV	EMP	TOTAL	GOV	EMP	TOTAL
96.59	56.64	153.23	96.59	23.78	120.37	96.59	56.18	152.77
175.65	143.27	318.92	175.65	73.98	249.63	175.65	142.81	318.46
147.63	119.60	267.23	147.63	62.19	209.82	147.63	120.06	267.69
243.82	199.72	443.54	243.82	102.76	346.58	243.82	200.18	444.00
436.14	61.36	497.50	365.43	25.76	391.19	435.64	60.86	496.50
880.29	155.21	1035.50	731.16	80.15	811.30	880.79	154.71	1035.50
737.93	129.57	867.50	614.55	67.37	681.92	740.93	130.07	871.00
1223.64	216.36	1440.00	1015.07	111.32	1126.39	1226.64	216.86	1443.50

RETIREE SUPPLEMENTAL PLAN

SELECTCARE RSP			TAKECARE RSP			NETCARE RSP		
GOV	EMP	TOTAL	GOV	EMP	TOTAL	GOV	EMP	TOTAL
181.00	0.00	181.00	188.22	0.00	188.22	210.64	0.00	210.64
361.50	0.00	361.50	398.47	0.00	398.47	448.20	0.00	448.20
SELECTCARE DENTAL			TAKECARE DENTAL			NETCARE DENTAL		
GOV	EMP	TOTAL	GOV	EMP	TOTAL	GOV	EMP	TOTAL
7.82	7.87	15.69	7.82	6.99	14.81	7.82	7.91	15.73
10.32	25.21	35.54	10.32	24.07	34.39	10.32	25.44	35.76
8.77	19.39	28.15	8.77	18.94	27.71	8.77	19.84	28.60
14.31	33.23	47.54	14.31	32.03	46.34	14.31	33.85	48.15
8.47	8.53	17.00	8.47	7.57	16.04	8.47	8.57	17.04
11.18	27.32	38.50	11.18	26.08	37.26	11.18	27.56	38.74
9.50	21.00	30.50	9.50	20.52	30.02	9.50	21.49	30.99
15.50	36.00	51.50	15.50	34.70	50.20	15.50	36.67	52.17

Government of Guam
FY2018 Group Health Insurance Program
EXHIBIT A - Medical & Dental Rates - Active Bi-Weekly, Retiree Semi-Monthly - Exclusive Proposal - FINAL

		TAKECARE 2000		
Active	Class	GOV	EMP	TOTAL
Bi-Weekly	I	43.91	0.00	43.91
	II	67.92	23.27	91.19
	III	57.18	19.59	76.77
	IV	94.38	32.33	126.71
Retiree	I	245.85	0.00	245.85
Semi-Monthly	II	495.62	25.21	520.83
	III	327.13	21.22	348.36
	IV	552.38	35.02	587.40
		TAKECARE 1500		
Active	Class	GOV	EMP	TOTAL
Bi-Weekly	I	83.99	23.78	107.77
	II	149.58	73.98	223.56
	III	125.71	62.19	187.90
	IV	207.73	102.76	310.49
Retiree	I	329.39	25.76	355.15
Semi-Monthly	II	671.82	80.15	751.97
	III	548.96	67.37	616.33
	IV	930.36	111.32	1041.69
		TAKECARE RSP		
	Class	GOV	EMP	TOTAL
Retiree	I	205.76	0.00	205.76
Semi-Monthly	II	435.61	0.00	435.61
		TAKECARE DENTAL		
Active	Class	GOV	EMP	TOTAL
Bi-Weekly	I	6.76	6.99	13.75
	II	7.43	24.07	31.50
	III	6.34	18.94	25.28
	IV	10.55	32.03	42.58
Retiree	I	7.32	7.58	14.90
Semi-Monthly	II	8.05	26.07	34.12
	III	6.87	20.52	27.39
	IV	11.43	34.70	46.13