EDWARD M. BIRN
Director (Direktot)
EDITH C. PANGELINAN
Deputy Director (Sigundo Direktot)

DEPARTMENT OF ADMINISTRATION
DIPATTAMENTON ATMENESTRASION
DIRECTOR'S OFFICE
(Ufisinan Direktot)

Telephone (*Telifon*): (671) 475-1101/1250 • Fax (*Faks*): (671) 477-6788

LOURDES A. LEON GUERRERO
Governor (Maga'hâga)
JOSHUA F. TENORIO
Lt. Governor (Sigundo Maga'lâhi)

October 3, 2019

35GL-19-1099
Speaker Tina Rose Muña Barnes

OCT 10 2019
Time 4:55 ( )AM ( )PM
Received By:

Honorable Tina Muna Barnes
Speaker, 35th Guam Legislature
Guam Congress Building
163 Chalan Santo Papa
Hagatna, Guam 96910

SUBJECT: Fiscal Year 2020 (FY20) Group Health Insurance

Dear Madam Speaker,

Hafa Adai! Health insurance negotiations for FY 2020 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 presented their findings for the Government of Guam Health Insurance Program for FY 2020.

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.

The Government was in receipt of several qualified offerors who submitted both an exclusive offer and a non-exclusive offer. Consistent with the Phase 2 scoring provisions of the Request for Proposals, the Team evaluated, scored, and voted to invite the carriers to negotiate for FY 2020.

During the Phase 3 negotiations process, the Team evaluated exclusive, non-exclusive, foster, medical, pharmacy, dental, plan designs, contracts, and financial terms. The non-exclusive proposals were not competitive with the exclusive offers and were eliminated from further consideration. After final negotiations of exclusive offers, the proposals were scored under Phase 4, and the most economical and beneficial offer was recommended to the Governor for consideration.

Guam law requires the Team to forward the most economical and beneficial health insurance proposal for the Government of Guam employees, retirees, survivors, and foster children to the Governor for FY 2020 group health insurance. The Governor must consider whether to agree with the Team's recommended award.

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The results were as follows:

I. CURRENT ESTIMATED ANNUAL PREMIUMS FOR FY 2019

Total premiums for medical, prescription drug, and dental, based on current enrollments, are as follows, broken out by GovGuam (including autonomous agencies) payments, employee/retiree contributions, and total premiums.

	GovGuam	EE/Ret	Total
Medical & Prescription Drugs:	$ 69.55M	$ 20.09M	$ 89.64M
Dental:	$ 2.70M	$ 4.74M	$ 7.44M
Combined:	**$ 72.25M**	**$ 24.83M**	**$ 97.08M**
Percentage:	74.4%	25.6%	100.0%

Inclusive of RSP; Excludes Foster Coverage

It should also be noted that the above premiums are not final as the FY 2019 plan year includes a "Participating Contract Agreement" that will be calculated and paid out as appropriate at the end of April 2020 in accordance with the current contract. This agreement protects GovGuam from overpayment of premiums each year. Additionally, actual FY 2019 enrollment may cause variance in the estimates provided.

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. For FY 2019, premiums for Foster coverage (paid 100% by the Government of Guam) totaled approximately $879,000.

III. RECOMMENDED EXCLUSIVE OPTION

The successful vendor was determined from the Negotiating Team scores. Voting was based on financial and service based factors.

The Exclusive Option was selected, and includes the following plan details:

- A Participating Agreement offered by the exclusive vendor, providing a 14% retention rate, allowing for Target Experience to be calculated by multiplying total premiums earned by 86%, and resulting in a potentially higher Participating Contract Refund for FY 2020 (or lower deficit if actual experience is a negative amount).

- Overall annual premiums are **$108.88M** under the recommended offer, representing a potential estimated **increase of $10.92M** from FY 2019 annual costs of **$97.96M (amounts stated in Sections I and II above of $97.08M Active and Retiree Medical, Rx, and Dental; $879K Foster).**

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- The 11% increase to total premiums is viewed as generally in line with medical cost increases over the two years since these premiums were last negotiated.

- Another possibility for FY 2020 health coverage for the government was a rollover of existing plans and carriers. A rollover is also referred to as a renewal of coverage and while a renewal is required by law, the carriers are allowed by law to adjust premiums and propose an increase in rates. It is highly unlikely that the current carriers would maintain the FY2019 rates for FY2020 policy year based upon the information included in their presentation to the negotiating team.

- Performance guarantees were substantially improved for the FY 2020 contract.

- Copays for non-formulary pharmacy drugs will increase from $60 to $100 on the PPO 1500 and HSA 2000 plans.

- Out-of-Network claims will now be reimbursed at a cap of 105% of Medicare reimbursement for providers and 140% of Medicare reimbursement for facilities.

- The selected carrier offered additional contract and plan design improvements at no increase to premium including:

    - Limiting out-of-pocket costs for members that see a non-network provider
    - Expansion of Hospice Care including removal of cap on daily charge
    - Changing terminally ill definition from 6 to 12 months
    - Removal of age limits of screens for PSA/DRE and Mammography
    - Expansion of coverage for Immunization with no cost sharing
    - Removal of cap for allergy testing
    - Increasing Well Child visit coverage age to 22
    - Removal of restrictions on emergency care
    - Removal of limits on Occupational Therapy and Chiropractic care
    - Removal of limits for Autism Spectrum Disorder
    - Removal of limits for injuries related to suicide
    - Removal of limits for injuries related to domestic violence

VI. DENTAL FUNDING

Dental coverage is proposed to be procured on a Self-Insured basis for FY 2020. The coverage funding mechanism will be transparent to agencies, as the premiums charged to the agencies and their membership will remain identical to the fully insured premiums. The government, acting as the risk bearer, will place these premiums into a fund dedicated to paying dental claims, and will be responsible only for actual incurred claims and administrative fees. Claims will be paid by the administrator of the plan and will be reimbursed from the fund.

Thank you for the opportunity to present the results of the FY 2020 Health Insurance Negotiations. I am available should you have any questions or need additional clarification. *Si Yu'os Ma'ase.*

Senseramente,

Edward M. Birn, Director
Department of Administration

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