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'håga)
JOSHUA F. TENORIO
Lt. Governor (Sigundo Maga'låhi)

35GL-20-1617
Speaker Tina Rose Muña Barnes

February 21, 2020

MAR 04 2020
Time 10:00 ( )AM ( )PM
Received By:

Tina Rose Muna Barnes
Speaker
Chairperson: Committee on Public Accountability, Human Resources & The Guam Build-Up
I Mina'Trestai Singko Na Liheslaturan Guahan
35th Guam Legislature
163 Chalan Santo Papa
Hagatna, Guam 96910

2020 MAR -4 PM 3:09

RE: Information Briefing

Buenas yan Hafa Adai Speaker and Senators! My name is Edward Birn, Director at the Department of Administration.

The Government of Guam has a responsibility to procure a health insurance policy, each year, for its employees, retirees and dependents. This is the largest single procurement which the Government makes and in, value, is about twice the amount of all the other purchases that the primary Government makes annually. This is accomplished by a negotiating committee of eleven (11) members working together to make a recommendation to the Governor. This process is subject to the same regulations which guide all other procurements by GovGuam and I would like to acknowledge the hard work which the members of the committee put into this process.

Bidding carriers are scored for the content of their bids and the winning score receives the committee's recommendations. Weighting of scoring factors varies, but the highest weighting is given to cost. For FY2020, the committee was tasked with recommending an single bidder unless a multiple carrier option produced a more economical result. I can tell you that single carrier bids received were between 10% -15% cheaper than the multiple carrier option. This makes sense since a carrier's administrative costs are recovered from a known and greater volume of subscribers than the alternative. FY 2020 was the first time that the theoretical savings was tested in the market. The result was as expected. As everyone knows, healthcare costs increase each year and we have a responsibility as trustees of public funds to find the most cost effective solution. In FY 2020, the negotiating committee followed the law and did just that. The winning bidder was Aetna. The committee made that recommendation to the Governor.

1617

However, the path to that recommendation was not easy. As soon as the original date for submission of bids was imminent, we received a Protest which halted the entire process at the beginning of May. The renewal date of October 01 drew ever closer. The Public Auditor heard the Protest and issued a Decision on July 30. The Appellant immediately filed an Appeal in Superior Court which would have again halted the procurement process but for the Government filing a Substantial Interest Finding so that the process would restart. We should have been well into implementation of the enrollment process by that time. Again, I would like to acknowledge the hard work by all parties to enroll a very large number of participants in a short timeframe. The enrollment period necessarily extended beyond the start date of the policy and all were fully engaged so that GovGuam members continued to receive uninterrupted medical attention and care.

The appellant filed cases in both Superior Court and District Court. The Superior Court case has been generally resolved in the Government's favor. The District Court case seeks to challenge the validity of Public Law 35-2 which mandated all public and private hospitals (except Naval Hospital) be included in the network of health insurers which provide coverage to GovGuam and, by extension seeks to overturn the FY 2020 contract which followed that statutory mandate.

The overall goal of DOA is to ensure that the Government receives value for money, the money is well spent and that this process which covers a significant proportion of the island's population provides both quality healthcare to subscribers and stimulates medical providers to offer the broadest range and highest quality of medical care at a price which is acceptable to the Government and ultimately the taxpayers. Health insurance is a benefit offered to Government employees and retirees. When assessing compensation available to Government employees, it is part of a package to recruit and retain the best people to work in and improve Government processes.

DOA, Human Resources Division and, in particular, its Benefits department which services not only the line agencies, but also the autonomous agencies in this regard works to support the interests, including healthcare of GovGuam employees and retirees. However, it is important to recognize that it is not the Government which offers these services, but providers and, for the most part, we have a choice of providers. Providers are contracted with many insurers. The insurers receive information from medical providers, manage the service and the flow of funds from the employer to the providers. A patients primary contact if there is a disruption to this process is with the insurers. Every employee/retiree is encouraged to take advantage of the wide range of customer service options which are offered by insurers and which are outlined in the bid whether an on-island office or phone service advice. This is the service which is being paid for and Government branches should not try to shadow it. This is made clear to bidders,

successful and unsuccessful alike. The role of Government, once the contract is let (the current contract is posted to the DOA/HRD website) is to make sure that the vendor carrier applies the provisions of that contract to all employees and members, since should they depart from that principle, it is likely that unexpected costs may arise and as I indicated at the beginning of my presentation, ultimately the Government will be called upon to bear the cost.

Thank you for the opportunity to offer these remarks to this Informational Briefing. DOA is always happy to share information whenever it is possible to do so. *Si Yu'os Ma'ase.*

Senseramente,

EDWARD M. BIRN
Director
Department of Administration

cc: Edith C. Pangelinan, Deputy Director, DOA
Leonora Candaso, PS, Employee Benefits Branch, DOA-HRD