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September 28, 2010

The Honorable Michael W. Cruz, M.D.  
Acting Governor of Guam  
Office of the Governor of Guahan  
P.O. Box 2950  
Hagatna, Guam 96932

**HAND DELIVERED**

Dear Acting Governor Cruz:

This is a reply to your letter dated September 27, 2010 concerning the Government of Guam Health Insurance Program.

As you may know, the Government of Guam through the Department of Administration issued a request for proposal (RFP) in April of this year and required interested offerors to submit proposals by 4:00 p.m. on May 14, 2010. This process of procuring health insurance for the GovGuam employees and Retirees followed the same steps that have been in place for now more than 20 years, and a process that you are deeply cognizant of, since you have been indirectly involved with the negotiations in prior years.

The RFP outlined the requirements that an offeror must follow, it detailed the type of documentation and claims or utilization data required, it provided the Health Insurance Rules and Regulations applicable to this process, and set forth the process of negotiating the benefits. The insurance rules and regulations are clear and detailed as to what is required of an offeror and I would like to quote a few sections from said rules:

**Section 200.3:**

“The Director of Administration and the negotiating team are committed to the concept of providing Government of Guam enrollees with a comprehensive health benefit plan(s) and ensuring that such benefits are delivered **efficiently and economically** for all participants in the plan”.

**Section 200.6:**

“The negotiating team shall require sufficient data from each carrier making a bid to be satisfied that the Government of Guam and its enrollees shall **receive good value for their premium payments**. In addition each carrier that submits a proposal which has previously provided coverage to the Government of Guam enrollees shall provide reports of its financial experience of the plan” .

**Section 400.1D:**

“Each carrier shall submit to the Director of Administration statistical report(s) showing **utilization and claims data** on the Government of Guam enrollees covered thereunder. Each carrier shall provide specific information about the portion of cost due to specific benefits. These benefits shall include, but are not limited to, hospitalization, physical examinations, and mental care in and outside the hospital. Each carrier shall provide enrollment information by age and sex of member, separately for enrollees”.

In addition to the Government of Guam Insurance Rules and Regulations, each carrier must comply and agree with the administrative and marketing procedures outlined in the RFP. Said procedures include some of the following requirements:

- A. Good faith negotiations
- B. Confidentiality
- C. Media/ex Parte Communications

I outlined the above to reemphasize that the Government of Guam negotiating team headed by the Department of Administration and composed members from Bureau of Budget and Management Research, Department of Education, GovGuam Retirement Fund, Department of Integrated Services for Individuals with Disabilities (DISID), Judicial & Legislative Branch Representatives and a retiree representative were provided with extensive and detailed information to justify the required rate increases. We have been transparent and compliant with the requirements that were developed by GovGuam itself.

We provided utilization and claims data for various years to the negotiating team and the consulting actuary, AON Consulting Services, as required by the RFP. The data reflected the impact this year of changing the applicability of the deductibles to exempt drugs and physician services and the resulting high claim utilization during the FY2010 benefit plan year. Your office publicly embraced the changes in benefits and praised the negotiating team for the work done during the negotiations of the FY2010 benefit year. These were the same group of individuals who negotiated benefits and rates for FY2011.

Both plans offered in FY2011 are significantly less expensive than the SC1000 plan offered in FY 2010 benefit year, and significantly less expensive than the last first dollar benefit plan that was offered to Gov Guam in FY2007 or four (4) fiscal years ago.

Open enrollment briefings were recently concluded and information on the new plans and benefits were provided to thousands of GovGuam employees and retirees over the past four weeks at each agency and department. Furthermore, Federal law requires compliance with new mandates effective to health plan years beginning on or after September 23, 2010, which means that compliance must be in effect for the GovGuam FY2011 plan year. New benefits: include increasing annual maximums from \$300,000 to \$750,000, providing preventive services without anymore co-payments or deductibles, extension of medical benefits to dependants age 26, among others.