



SENT VIA HAND DELIVERY

March 9, 2012

The Honorable Eddie Baza Calvo
Governor of Guam
Office of the Governor
P.O. Box 2950
Hagåtña Guam 96910

RE: Medicare Enrollment

Dear Governor Calvo:

Buenas yan Hafa Adai! I read your administration's most recent weekly address and could not help but think of additional ways which may help our government tackle its fiscal challenges.

As you well know, our government's Health Insurance Program comes at a significant cost to taxpayers. And, while this benefit is certainly essential to public sector employees, there may be opportunities to reduce its cost.

Often cited as a reason for the amount of money the government spends on employee health insurance premiums is the fact that retirees are covered under the plan. In the current fiscal year, we are spending anywhere between \$6,027 and \$19,068 to cover each retiree and survivor enrolled with the current health insurance provider.

Maximizing retiree use of Medicare may not only mean savings in premiums. Consider the ancillary benefit that would accrue to young healthy GovGuam employees. By reducing the number of retirees on the government's health insurance program, insurance premiums may become more affordable to younger employees. In turn, more employees will enroll for health insurance coverage and, as a result, the Guam Memorial Hospital may experience a reduction in the number of self-pay patients.

I tried to address this issue several years ago with legislation that attempted to use the Medicare program as an alternative to providing health insurance to GovGuam retirees. The government already reimburses a good number of retirees for Medicare premiums. However, it is unclear whether the efficacy of paying for both health insurance and Medicare has been thoroughly examined; especially when there are supplemental insurance plans throughout the country that are specifically tailored to cover the gaps in Medicare coverage.

The comparison between paying health insurance and Medicare premiums is startling. In the most ideal of circumstances, individual coverage

under Medicare for hospital insurance, medical insurance, and its prescription drug plan costs about \$130.98 monthly. That is about \$1,571.76 annually and about one-fourth the cost of the health insurance premiums for retirees who are enrolled in the insurance plan under the Class 1, single with no dependents category. This is an important fact given that Medicare does not address dependent coverage and that we are now paying approximately \$15.4 million to cover Class 1 retirees and survivors alone. However, the difference is such that savings may still be realized even after including some form of supplemental coverage for any gaps in coverage between the two programs.

According to information provided by the Government of Guam Retirement Fund, Class 1 enrollees total 2475. In the Retirement Fund's latest actuarial report, a little over half of all retirees and their spouses that receive retirement annuities are aged 65 and above -a basic eligibility requirement for Medicare enrollment. Thus, it is possible that more than a thousand retirees and survivors are eligible for Medicare benefits who are both single and without dependents.

Ultimately, enrollment timing, gross income, and the length of creditable employment all affect an individual's premium in order to utilize most benefits under Medicare. That is why I am urging the Retirement Fund to survey retirees to ascertain Medicare eligibility. Perhaps the administration could also survey active employees to determine who already meets the amount of required creditable employment. That way such employees can prepare ahead of time for enrollment. It may also be wise to create some sort of clearinghouse to advise all seniors if they have met all the conditions to qualify for Medicare.

I have included a worksheet with this letter highlighting the differences in premium costs which indicate potential savings that the government could avail by encouraging eligible retirees off of the government's health insurance plan, and onto Medicare. Perhaps this idea could also be taken up by the Fiscal Responsibility and Tax Refund Commission. You are aware that I have been waiting patiently for the Commission to convene.

I look forward to hearing from you soon regarding this matter and to working with you to ensure quality health care to all of those that worked hard to build the wonderful island that both you and I love so dearly.

Sincerely,



Benjamin J.F. Cruz

Enclosure