

**Government of Guam  
Health Benefit Costs Account**

**Performance Audit  
October 2010 through August 2011**

**OPA Report No. 11-11  
December 2011**



**Government of Guam  
Health Benefit Costs Account**

**Performance Audit  
October 2010 through August 2011**

**OPA Report No. 11-11  
December 2011**

Distribution:

Governor of Guam  
Lt. Governor of Guam  
Speaker, 31<sup>st</sup> Guam Legislature  
Senators, 31<sup>st</sup> Guam Legislature  
Director, Department of Administration  
Director, Bureau of Budget and Management Research  
Guam Media via E-Mail



---

---

# Table of Contents

---

---

|  | Page      |
|--|-----------|
| <b>Executive Summary .....</b>   | <b>1</b>  |
| <b>Introduction .....</b>  | <b>4</b>  |
| Background .....   | 4         |
| <b>Results of Audit .....</b>  | <b>6</b>  |
| No Regular Reconciliation Between GovGuam and Carrier Data.....          | 6         |
| GovGuam’s Share for Retiree Insurance 334% More than Active.....         | 11        |
| More Enrolled under the High Premium Low Deductible Insurance Plan ..... | 12        |
| Rising Healthcare Costs for Seniors .....                                | 14        |
| <b>Conclusion and Recommendation .....</b>                               | <b>16</b> |
| <b>Management’s Response &amp; OPA Reply.....</b>                        | <b>17</b> |
| <b>Appendices:</b>   |           |
| 1: Objective, Scope and Methodology .....                                | 18        |
| 2: Prior Audit Coverage .....  | 19        |
| 3: FY 2009 ~ 2011 Health Insurance Premium Schedule.....                 | 20        |
| 4: July 2011 Variances between Carrier and GovGuam Enrollment.....       | 22        |
| 5: Unaudited FY 2011 Health Insurance Premiums by GovGuam.....           | 23        |
| 6: DOA’s Management Response.....  | 24        |



**EXECUTIVE SUMMARY**  
**Government of Guam Health Benefit Costs Account**  
**OPA Report No. 11-11, December 2011**

There are 20 potential health insurance categories with a complex array of premium rates to which active employees and retirees can enroll. Although Public Law (P.L.) 31-74 requires insurance providers to submit detailed monthly reports of employee and retiree subscribers and their dependents, by plan, class, group, and by line and autonomous agency, those reports are often incomplete. Moreover, no government agency regularly reconciles its enrollment data against the health insurance carrier's reports, to ensure payments are made properly.

P.L. 31-74 took effect in Fiscal Year (FY) 2011. This report covers the 11 months between October 1, 2010 and August 31, 2011. The carrier submitted its September 2011 report in mid-December, indicating that it received \$77.6 million (M) in total health insurance premiums. However, the carrier could not separate the government's share from the employees' share. The Government of Guam (GovGuam) reportedly paid \$55.1M to the carrier for its share of the premiums. Given the lateness of submission, we did not attempt to reconcile the information with the government-provided data.

GovGuam's health insurance contribution during FY 2011 totaled \$55.1M for approximately 11,174 enrollees. Of this amount, \$31.9M was paid for 3,253 retirees and \$23.2M for 7,921 active employees. On average, the contribution per retiree was \$9,797, compared to active employees of \$2,932. GovGuam pays disproportionately more (334%) for retirees than for active employees. Despite the \$12.7M supplement to the original appropriation of \$26.4M for line agencies, Department of Education, and retirees, there is a projected shortfall of \$746K.

**No Regular Reconciliation Between GovGuam and Carrier Data**

Departments and agencies compare their data with that of the carrier only once, at the beginning of the fiscal year after open enrollment. The carrier does not provide departments and agencies with regular monthly billings. Instead each government agency pays health insurance premiums based on bi-weekly payroll data. We found considerable differences between the carrier's enrollment data and the government's information. We were unable to reconcile the data sets and thus are not confident of their reliability.

Our comparison of the available enrollment data revealed variances every month for all agencies in each of the 20 insurance categories. As a result, we could not use the enrollment data to quantify the government's potential over- or underpayment of health insurance premiums or to calculate the differences. For example:

- On February 26, 2011, the carrier reported 1,265 employees enrolled under the SC1500 medical and dental plan, but DOA's data reflected 1,689, a 424 difference.
- On April 15, 2011, the carrier reported 736 enrollees (retirees) under the SC1500 medical plan, while the Retirement Fund (GGRF) reported 704, a variance of 32.

- In July 2011, the carrier reported 625 enrolled under the HSA2000 medical and dental plan. DOE listed 709 enrollees, a variance of 84.

**GovGuam’s Share for Retiree Health Insurance 334% More than Active**

The cost of health insurance typically rises with age. A state plan that includes active employees will result in retirees paying a lower rate than if the plan covered only retirees. However, this is not the case for Guam as retirees were separated from active employees’ health insurance. Since current law prohibits retirees and active employees from paying different amounts for the same coverage, GovGuam shoulders the carrier's substantially higher costs for retiree insurance. See table for illustration.

| Classification                           | Amount Reported      | Amount %    | Enrollment    |             | Average         |
|--|----------------------|-------------|---------------|-------------|-----------------|
|  |                      |             | Count         | Count %     | Cost            |
| Retirees                                 | \$ 31,870,740        | 58%         | 3,253         | 29%         | \$ 9,797        |
| <b>Retirees Subtotal:</b>                | <b>\$ 31,870,740</b> | <b>58%</b>  | <b>3,253</b>  | <b>29%</b>  | <b>\$ 9,797</b> |
| General Fund Active Employees (Line Agen | \$ 5,642,341         | 10%         | 2,697         | 24%         | \$ 2,092        |
| Department of Education                  | \$ 7,612,591         | 13%         | 2,221         | 17%         | \$ 3,428        |
| 14 Other Entities                        | \$ 9,972,931         | 18%         | 3,003         | 27%         | \$ 3,321        |
| <b>Active Employees Subtotal:</b>        | <b>\$ 23,227,863</b> | <b>42%</b>  | <b>7,921</b>  | <b>71%</b>  | <b>\$ 2,932</b> |
| <b>TOTAL:</b>                            | <b>\$ 55,098,603</b> | <b>100%</b> | <b>11,174</b> | <b>100%</b> | <b>\$ 4,931</b> |

**More Enrolled under the High Premium Low Deductible Plan**

Majority of enrollees participate in the SC1500 plan, which requires a higher premium but a lower deductible and out of pocket expenses. Of the \$31.9M paid for retirees, \$25.2M (79%) was paid for 2,395 (74%) enrollees under the SC1500 plan. The remaining \$6.7M (21%) was paid for 858 (26%) retirees under the HSA2000, which has a lower premium but a higher deductible.

Of the 2,697 enrollees in the line agencies, \$4M was paid for 1,693 (63%) active employees under the SC1500 plan. The remaining 1,004 were under the HSA2000 for \$1.6M, for an average cost of \$2,092. Likewise, of the 2,221 DOE active employees, 1,337 (60%) were under the SC1500 plan for \$5.3M and 884 (40%) were under the HSA2000 for \$2.4M, for an average cost of \$3,428. The premium for active employees under the SC1500 is significantly lower, ranging from \$96 to \$270, compared to retirees’ SC1500 of \$315 to \$945, nearly a 350% differential.

**Conclusion**

Regular reconciliation is not currently being performed and premium payments are based on payroll information of its active employees only. Reconciliations should still be performed at least randomly to ensure the accuracy of enrollment data and that proper payments are made. GovGuam contributes substantially more to the cost of retiree healthcare because current statutes prohibit different contribution amounts for active employees and retirees. Despite an increase of \$12.7M in supplemental appropriations, there is an estimated \$746K shortfall in health insurance premiums against the \$39.2M appropriated for FY 2011 (including the \$12.7M supplemental appropriation). The government ended with a cumulative deficit of \$336.4M in FY 2010. Given the mounting deficit, the continued cash challenges, and meeting daily government operations, public

officials must look for avenues to contain the growth in government expenditures, particularly health insurance.

The DOA Director stated in her response that DOA did “not agree to certain statements made on overpayment and enrollment discrepancies.”

Doris Flores Brooks, CPA, CGFM  
Public Auditor



---

## Introduction

---

This report presents the results of our audit of the Health Benefit Costs Account for Fiscal Year (FY) 2011, as mandated by the Supplemental Appropriations Act of 2011, Public Law (P.L.) 31-74. Our objective was to compare the Government of Guam's (GovGuam) health insurance premium payments with the health insurance carrier's information.

The audit scope, methodology, and prior audits are detailed in Appendices 1 and 2.

## Background

GovGuam's Group Health Insurance Program is a cost-sharing plan available to employees and retirees. The government's share of the cost is established annually upon renewal and the Budget Act of FY 2011, P.L. 30-196, created the Health Benefit Cost Account to be used by the Department of Administration (DOA) to pay for GovGuam's contributions to its medical, dental, and life insurance expenses. Appropriations to the Cost Account are not subject to the Governor's transfer authority.

P.L. 31-74 amended P.L. 30-196 and required all health insurance carriers to file a monthly written report as follows:

*“Enrollees, both subscribers and dependents, by active employee and retiree subscriber counts by plan by class by groups supported/paid by the General Fund, detailed by agency/department; and enrollees, both subscribers and dependents, by active employee and retiree subscriber counts by plan by class by groups supported/paid by autonomous agencies of the government of Guam, detailed by autonomous agency.”*

The reporting requirement went into effect for FY 2011. Reports were due for submission to the Governor and the Speaker no later than June 30, 2011 for the period from October 2010 to May 2011, and no later than 20 days after the end of the months of June through September 2011. GovGuam's insurance carrier did not submit a report for September. Thus, our audit covered only the eleven months from October 1, 2010 through August 31, 2011. Additionally, the carrier's reports only provided monthly enrollment data by class and plan.<sup>1</sup>

---

<sup>1</sup> The carrier provided the FY 2011 premium payment data in mid-December 2011. Therefore, we did not attempt to compare the information with those provided by the agencies.

The law mandated the Office of Public Accountability to conduct quarterly audits of the reports submitted by insurance carriers by obtaining supporting documents from all agencies and departments to confirm and substantiate reported premium payments.

**20 Insurance Categories**

GovGuam's health insurance provider offers two plan options: Health Savings Account (HSA) 2000 and SelectCare (SC) 1500. Each plan offers varying premium rates for medical, dental and medical-only options for active employees and retirees. Both plans are broken into five classes. Therefore, there are potentially 20 categories of enrollment data for employees and retirees that should be reconciled monthly, as illustrated in the table below.

**Table 1: Health Insurance Categories & Government Premium Rates**

| Health Insurance Category and Class  | Active Employees |                          | Retirees       |                          |
|--------------------------------------|------------------|--------------------------|----------------|--------------------------|
|                                      | Category Count   | Gov't. Contribution Rate | Category Count | Gov't. Contribution Rate |
| Class 1 - HSA2000 Medical and Dental | 1                | \$ 86.76                 | 21             | \$ 276.00                |
| Class 1 - HSA2000 Medical Only       | 2                | \$ 79.38                 | 22             | \$ 268.00                |
| Class 1 - SC1500 Medical and Dental  | 3                | \$ 103.66                | 23             | \$ 323.30                |
| Class 1 - SC1500 Medical Only        | 4                | \$ 96.28                 | 24             | \$ 315.30                |
| Class 2 - HSA2000 Medical and Dental | 5                | \$ 124.27                | 25             | \$ 526.13                |
| Class 2 - HSA2000 Medical Only       | 6                | \$ 114.30                | 26             | \$ 515.33                |
| Class 2 - SC1500 Medical and Dental  | 7                | \$ 195.16                | 27             | \$ 683.93                |
| Class 2 - SC1500 Medical Only        | 8                | \$ 185.19                | 28             | \$ 673.13                |
| Class 3 - HSA2000 Medical and Dental | 9                | \$ 104.03                | 29             | \$ 429.20                |
| Class 3 - HSA2000 Medical Only       | 10               | \$ 96.00                 | 30             | \$ 420.50                |
| Class 3 - SC1500 Medical and Dental  | 11               | \$ 163.22                | 31             | \$ 556.83                |
| Class 3 - SC1500 Medical Only        | 12               | \$ 155.19                | 32             | \$ 548.13                |
| Class 4 - HSA2000 Medical and Dental | 13               | \$ 173.33                | 33             | \$ 729.28                |
| Class 4 - HSA2000 Medical Only       | 14               | \$ 159.90                | 34             | \$ 714.73                |
| Class 4 - SC1500 Medical and Dental  | 15               | \$ 271.61                | 35             | \$ 946.24                |
| Class 4 - SC1500 Medical Only        | 16               | \$ 258.18                | 36             | \$ 931.69                |
| Class 5 - HSA2000 Medical and Dental | 17               | \$ 183.59                | 37             | \$ 740.40                |
| Class 5 - HSA2000 Medical Only       | 18               | \$ 167.02                | 38             | \$ 723.42                |
| Class 5 - SC1500 Medical and Dental  | 19               | \$ 285.67                | 39             | \$ 961.48                |
| Class 5 - SC1500 Medical Only        | 20               | \$ 270.00                | 40             | \$ 944.50                |

See Appendix 3 for the FY 2009 ~ 2011 health insurance plan rates.

---

---

## Results of Audit

---

---

GovGuam agencies are not regularly reconciling their enrollment data with the carrier's information. The carrier submitted its September 2011 report in mid-December, indicating that it received \$77.6 million (M) in total health insurance premiums, whereas GovGuam reportedly paid \$55.1M that GovGuam reportedly paid the carrier. Given the lateness of submission, we did not attempt to reconcile the information with the government-provided data. We instead attempted to reconcile the enrollment counts reported by the agencies with the carrier's data and found significant variances. Thus, we found the data to be unreliable.

GovGuam's medical insurance costs for FY 2011 increased substantially over FY 2010, primarily because costs for retirees has significantly increased and GovGuam pays a disproportionately larger share or over 300% more for retirees than for active employees. For FY 2011, agencies paid \$55.1M in health insurance premiums for approximately 11,174 enrollees. Of the \$55.1M, \$31.9M (58%) was paid for 3,253 retirees and \$23.2M (42%) paid for 7,921 employees. This equates to an average of \$9,797 per retiree and only \$2,932 per employee.

### **No Regular Reconciliation Between GovGuam and Carrier Data**

We found that no agency regularly reconciles its enrollment data with the health insurance carrier's enrollment data. For the most part, departments and agencies reconcile their enrollment data at the beginning of the fiscal year after open enrollment. They then base their health insurance premium costs on the enrollments inputted in the payroll system. The insurance carrier's plan administrator told us that monthly billings are not provided to government agencies. The carrier instead relies on a self-reporting system.

### **First Time Requirement for Carrier to Report Insurance Premiums**

As mandated by P.L. 31-74, health insurance providers are required to report monthly premium payment information from the government for FY 2011 to the Governor and the Speaker of the Legislature. The written reports should detail each individual premium payment received by date and by agency. However, GovGuam's current provider reported only enrollment count per plan and class by agency and only up to August 31, 2011. After informing the carrier that their reports lacked required details, the plan administrator acknowledged that it was an oversight on their part and agreed to provide the required information. The carrier provided premium payment information in mid-December, indicating that the carrier received \$77.6M in total health insurance premiums during the year. The carrier confirmed that the \$77.6M is inclusive of the government (employer) and employee premium payments, whereas the data provided by the agencies for \$55.1M is only for the government's share. However, the carrier stated that they were unable to separate the amounts for the government share versus the employee share. We compared the premium payments received by the carrier to the premium payments made by the agencies in the aggregate (see Table 2). Given the lateness of submission, we did not attempt to reconcile the premium information with the government-provided data.

**Table 2: Carrier Premiums Received v. GovGuam Payments**

| <b>Agency</b>                       | <b>Carrier Reported Premiums Received (A)</b> | <b>Agency Reported Premiums Paid (B)</b> | <b>Variance (C = A - B)</b> |
|-------------------------------------|---|--|-----------------------------|
| Retirees                            | \$ 37,373,363                                 | \$ 31,870,740                            | \$ 5,502,623                |
| <b>Retirees Subtotal:</b>           | <b>\$ 37,373,363</b>                          | <b>\$ 31,870,740</b>                     | <b>\$ 5,502,623</b>         |
| DOA (line agencies)                 | \$ 13,646,197                                 | \$ 5,642,341                             | \$ 8,003,855                |
| DOE                                 | \$ 11,577,964                                 | \$ 7,612,591                             | \$ 3,965,373                |
| <b>Subtotal, DOA &amp; DOE:</b>     | <b>\$ 25,224,161</b>                          | <b>\$ 13,254,932</b>                     | <b>\$ 11,969,229</b>        |
| GMHA                                | \$ 2,916,771                                  | \$ 2,580,270                             | \$ 336,501                  |
| UOG                                 | \$ 2,494,299                                  | \$ 1,639,309                             | \$ 854,990                  |
| GPA                                 | \$ 2,406,427                                  | \$ 1,494,977                             | \$ 911,450                  |
| Superior Court                      | \$ 1,372,388                                  | \$ 897,470                               | \$ 474,918                  |
| PAG                                 | \$ 1,467,222                                  | \$ 775,066                               | \$ 692,156                  |
| GWA                                 | \$ 1,372,274                                  | \$ 725,399                               | \$ 646,875                  |
| GCC                                 | \$ 933,054                                    | \$ 604,532                               | \$ 328,522                  |
| GIAA                                | \$ 874,468                                    | \$ 515,047                               | \$ 359,421                  |
| GHURA                               | \$ 366,550                                    | \$ 241,433                               | \$ 125,116                  |
| Legislature                         | \$ 303,400                                    | \$ 206,364                               | \$ 97,036                   |
| PDSC                                | \$ 212,253                                    | \$ 111,141                               | \$ 101,112                  |
| GGRF                                | \$ 131,577                                    | \$ 76,736                                | \$ 54,841                   |
| GVB                                 | \$ 92,440                                     | \$ 64,470                                | \$ 27,969                   |
| GHC                                 | \$ 71,528                                     | \$ 40,715                                | \$ 30,813                   |
| <b>Subtotal, 14 Other Agencies:</b> | <b>\$ 15,014,651</b>                          | <b>\$ 9,972,931</b>                      | <b>\$ 5,041,720</b>         |
| <b>Active Subtotal:</b>             | <b>\$ 40,238,812</b>                          | <b>\$ 23,227,863</b>                     | <b>\$ 17,010,949</b>        |
| <b>TOTAL:</b>                       | <b>\$ 77,612,174</b>                          | <b>\$ 55,098,603</b>                     | <b>\$ 22,513,571</b>        |

**Carrier's Enrollment Data Do Not Match Government Agencies' Data**

We also compared the carrier's enrollment data in the 20 potential categories against the enrollment data provided by 17 agencies and found that the data sets did not match.

Between the carrier's and the Government of Guam Retirement Fund's (GGRF) numbers, we identified 2,137 variances in the retirees' enrollment count. Variances ranging from two to as many as 54 occurred every month in each of the 20 insurance categories. Below are some examples:

- On December 15, 2010, the carrier reported 332 retirees enrolled under the HSA2000 medical only plan. GGRF reported 312, a variance of 20.

- On April 15, 2011, the carrier reported 736 enrollees under the SC1500 medical plan. GGRF reported 704, a variance of 32.
- On July 31, 2011, the carrier reported 1,741 retirees enrolled under the SC1500 medical and dental plan. GGRF reported 1,687, a variance of 54.

Line agency enrollees averaged 2,697 (24%) of the total health insurance enrollees. We identified a variance of 15,976 in the enrollment count between the carrier and DOA. Again, variances ranging from 201 to 505 occurred every month in each of the 20 insurance categories. Some examples are presented below.

- On February 26, 2011, the carrier reported 1,265 enrollees under the SC1500 medical and dental plan. DOA's enrollment data reflected 1,689, a difference of 424.
- On June 4, 2011, the carrier reported 775 enrollees under the HSA2000 medical and dental plan. DOA reported 996, a variance of 221.
- On August 13, 2011, the carrier reported 1,253 enrollees under the SC1500 medical and dental plan. DOA reported 1,677, a variance of 424.

The Department of Education's (DOE) employees accounted for 17% of all those enrolled in the health insurance program (more than 2,200 employees). We identified a 669 difference between the carrier and DOE's enrollment count, and monthly variances in each category.

- For November 2010, the carrier reported 1,204 employees enrolled under the SC1500 medical and dental plan. DOE reported 1,224, a variance of 20.
- In March 2011, the carrier reported 729 employees enrolled under the HSA2000 medical and dental plan. DOE reported 746, a variance of 17.
- In July 2011, the carrier reported 709 enrolled under the HSA2000 medical and dental plan. DOE reported 625 enrollees, a variance of 84.

We attempted to reconcile the enrollment counts reported by the agencies with the carrier's data and found considerable variances. Due to the considerable differences identified, we are not confident that the data we received is accurate. Therefore, we did not use the enrollment variances to quantify GovGuam's potential over- or underpayment of health insurance premiums. Appendix 4 is a list of the July 2011 enrollment variances between the carrier and government's information.

### **Discussions with Agencies**

We contacted several agencies for information on their health insurance payment process and on whether they regularly reconcile their enrollment data with those of the carrier. Discussions with GGRF, DOA, DOE, the Guam Waterworks (GWA) and Power Authorities (GPA) follow.

***Government of Guam Retirement Fund***

GGRF processes and issues its own premium payments to the carrier for all retiree subscribers. At the beginning of the fiscal year, GGRF bills each agency for the projected amount to be remitted for the health insurance contributions for the retirees enrolled per plan. Generally, GGRF requires payments before the October 15<sup>th</sup> pay period. Retirees' health insurance premiums are paid monthly on the 15<sup>th</sup> and 30<sup>th</sup>. Around the middle of the fiscal year, GGRF informs agencies to remit any remaining health insurance contribution obligations.

GGRF does not regularly reconcile its enrollment data with the carrier's. Reconciliation is conducted only at the beginning of the fiscal year, after the enrollment period. GGRF then uses that information as the basis for its bi-weekly premium payments.

***Department of Administration***

DOA's Payroll Division receives employee enrollment information after open enrollment annually around October and enters it in the AS400 financial system. The carrier provides DOA with its report of the total enrollees by agency per insurance plan. The report is then compared against DOA's enrollment data. According to a DOA personnel specialist, variances have been negligible. DOA does not receive monthly billings from the carrier and therefore, does not regularly reconcile its enrollment count with the carrier's. DOA conducts an overall reconciliation only at the beginning of the fiscal year, shortly after enrollment period.

DOA's financial system automatically deducts employee health insurance premiums and the government contribution every pay period. The Accounting Supervisor explained that although regular reconciliations are not performed, the payroll system will not process premiums payments for inactive employees. The accounts payable section then receives the bi-weekly payroll standard deduction register, which includes the health insurance deduction and government share. Payments are generally remitted to the carrier every Monday after payday.

***Department of Education***

The carrier does not bill DOE directly for health insurance premiums. Every pay period, DOE generates a "Z report", which includes a deduction listing of employee names, identification numbers, the corresponding health insurance plan and the total amounts of employee and employer shares. DOE then generates a check and issues it to the carrier on the Wednesday after payday. According to the supervisor, DOE reports its own payments and provides the carrier with a listing to support the payments.

The Human Resource (HR) Division compiles a health insurance enrollment count report, but the information is not reconciled with the carrier's enrollment data, not even once after the open enrollment period.

### ***Guam Waterworks Authority***

HR collects GWA's enrollment information every enrollment period and reconciles it with the carrier's information at the beginning of every fiscal year. GWA uses the enrollment data to remit payments to the carrier for the remainder of the year.

All benefits information is linked with GWA's payroll system, which automatically calculates the government's health insurance contributions and the corresponding employee's premiums. The employee's portion is deducted from gross pay every pay period and is processed for payment along with the government's share. GWA's system rejects processing any benefits for former employees.

### ***Guam Power Authority***

If the carrier made its enrollment counts available, GPA could conduct regular reconciliations of their data against the carrier's according to the Chief Financial Officer (CFO). Instead, GPA generates a health insurance payment report for both employee and employer portions every pay period. Based on the list, a check is generated and remitted to the carrier.

The CFO's suggestion to pay insurance premiums through the Automatic Clearing House (ACH) should improve the payment process. The ACH processes large volumes of transactions in batches that include direct payroll deposit and insurance premium payments. GPA is currently engaging with the carrier to accept ACH payment transfers.

Some agency officials interviewed stated that issues arise when employees do not inform their agency of a change in their situation, such as getting married or divorced, or having a child, for example, and notifying the carrier directly. In such cases, government agencies would not be paying the correct amounts for premiums and contributions.

The government and health insurance provider officials we interviewed stated that reconciling enrollment counts between them is difficult due to several factors, including the timing for generating the reports. In addition, the count could be skewed by the failure of departing employees to clear out completely and by enrollees on leave-without-pay status. Agency officials also shared that since health insurance premium payments are linked with payroll information; payments for inactive employees are flagged and not processed.

The data information is compared during open enrollment is then used to remit insurance premiums for the remainder of the fiscal year. Our own attempt to reconcile the data yielded significant variances. The reconciliation of premium payments against carrier enrollment data is fundamental to ensuring that errors and inconsistencies are timely identified and corrected. Since regular reconciliation is not currently being performed and premium payments are based on payroll information, reconciliations should still be performed regularly or at least randomly to ensure the accuracy of enrollment data and that proper payments are made. Reconciliation should be performed by an employee who is independent and not directly responsible for calculating billings or recording transactions.

The premiums for the Defined Contributions (DC) retirees also complicated the health insurance payment process. The DC retirees are part of the retiree health insurance plan, but are required to process through DOA prior to becoming members of the plan, but do not. In addition, they have to individually remit their share of premiums to DOA, who then remit the government and retiree portions to the carrier. However, there are times when the DC retirees remit their payments directly to the carrier or not at all, and it is difficult for DOA to track. In contrast, the Defined Benefit retirees' premiums are deducted from their bi-monthly annuity checks and DOA remits the government and retiree premiums to the carrier.

**GovGuam's Share for Retiree Insurance 334% More than Active**

In fiscal years 2009 and 2010, GovGuam had three plan options from a single provider: (1) SelectCare 2000; (2) SelectCare 1500; and (3) SelectCare 1000. For FY 2011, the options were reduced to Health Savings Account Plan (HSA) 2000 and SelectCare (SC) 1500. The medical insurance costs to both the government and the employees for FY 2011 increased substantially over FY 2010. The government's share of health insurance premiums increased by an average of 62%.

Refer to Appendix 3 for the government health insurance rates for FY 2009 through 2011.

GovGuam maintains a cost-sharing plan that provides certain postretirement healthcare benefits to retirees who are members of the GGRF. The government's share of the cost of the medical and dental plans is set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, GovGuam pays substantially more for healthcare for retirees than for active employees. Over the last two fiscal years, GovGuam's share for retirees averaged more than 300% over active employees (Table 3).

**Table 3: FY 2009 ~ 2011 Government Premium Rates for Medical Plans**

| Fiscal Year | Retirees      |               | Active Employees |              |
|-------------|---------------|---------------|------------------|--------------|
|             | HSA2000       | SC1500        | HSA2000          | SC1500       |
| 2009        | \$196 ~ \$578 | \$227 ~ \$677 | \$53 ~ \$139     | \$53 ~ \$139 |
| 2010        | \$146 ~ \$425 | \$216 ~ \$634 | \$48 ~ \$125     | \$60 ~ \$157 |
| 2011        | \$268 ~ \$723 | \$315 ~ \$945 | \$79 ~ \$168     | \$96 ~ \$270 |

**GovGuam's \$31.9M Contribution for Retirees' Health Insurance**

The GGRF provided the retirees' enrollment data per insurance plan and class for FY 2011. Because premium payments were not provided, we calculated the government's share by multiplying the enrollment data per pay period by the corresponding 20 health insurance categories. The figure we arrived at was \$31,870,740. The GGRF Controller confirmed our methodology and how much GovGuam paid for its share of the health insurance premium for retirees.

Based on the health insurance payments provided to us for approximately 11,174 enrollees for FY 2011, we calculated GovGuam's contribution to total \$55.1M. Of this amount, almost 60%, or \$31.9M, was for 3,253 retirees, just 29% of total enrollees. The remaining \$23.2M was for 7,921 active employees<sup>2</sup> who account for 71% of the total enrollees. As illustrated in Table 4 below, GovGuam contributes 334%<sup>3</sup> more for retirees, an average of \$9,797 per retiree compared to \$2,932 per active employee.<sup>4</sup>

**Table 4: Government Reported Health Insurance Premiums**

| Classification                              | Amount Reported      | Amount %    | Enrollment    |             | Average         |
|---|----------------------|-------------|---------------|-------------|-----------------|
|   |                      |             | Count         | Count %     | Cost            |
| Retirees                                    | \$ 31,870,740        | 58%         | 3,253         | 29%         | \$ 9,797        |
| <b>Retirees Subtotal:</b>                   | <b>\$ 31,870,740</b> | <b>58%</b>  | <b>3,253</b>  | <b>29%</b>  | <b>\$ 9,797</b> |
| General Fund Active Employees (Line Agency) | \$ 5,642,341         | 10%         | 2,697         | 24%         | \$ 2,092        |
| Department of Education                     | \$ 7,612,591         | 13%         | 2,221         | 17%         | \$ 3,428        |
| 14 Other Entities                           | \$ 9,972,931         | 18%         | 3,003         | 27%         | \$ 3,321        |
| <b>Active Employees Subtotal:</b>           | <b>\$ 23,227,863</b> | <b>42%</b>  | <b>7,921</b>  | <b>71%</b>  | <b>\$ 2,932</b> |
| <b>TOTAL:</b>                               | <b>\$ 55,098,603</b> | <b>100%</b> | <b>11,174</b> | <b>100%</b> | <b>\$ 4,931</b> |

See Appendix 5 for detailed breakdown of reported premiums per agency.

### **More Enrolled under the High Premium Low Deductible Insurance Plan**

We found that a majority of enrollees participate in the SC1500 plan, which requires a higher premium but lower deductible (out-of-pocket expenses). The HSA2000 plan has a higher deductible. Of the \$31.9M paid for retirees, \$25.2M (79%) was paid for 2,395 (74%) enrollees under the SC1500 plan. The remaining \$6.7M (21%) was paid for 858 (26%) retirees under the HSA2000.

Of 2,697 active line agency employees, 1,693 (63%) were under the SC1500 for a total of \$4M. The remaining 1,004 were under the HSA2000 for \$1.6M. Of DOE's 2,221 active employees, 1,337 (60%) were under the SC1500 for \$5.3M, and 884 (40%) were under the HSA2000 for \$2.4M. The premium for active employees is significantly lower for SC1500, ranging from \$96 to \$270. The range for retirees under the same plan is \$315 to \$945, nearly a 350% differential. See Table 5 for illustration.

<sup>2</sup> These are employees from the executive, legislative, and judicial branches and autonomous entities.

<sup>3</sup> Derived by \$9,797 average per retiree ÷ \$2,932 average per active employee.

<sup>4</sup> Enrollment count mentioned in these sections was the average for FY 2011.

**Table 5: Retirees, DOA and DOE Active Employees' Enrollment Breakdown**

| Medical & Dental   | Average Enrollment | Medical Only | Average Enrollment | Total Gov't Share    | Total %     | Total Average Enrollment | Enrollment % | Average Cost    |
|--|--------------------|--------------|--------------------|----------------------|-------------|--------------------------|--------------|-----------------|
| <b>Retirees Enrollment Breakdown</b>                                       |                    |              |                    |                      |             |                          |              |                 |
| <b>SC1500</b>  |                    |              |                    |                      |             |                          |              |                 |
| \$ 18,277,628  | 1,696              | \$ 6,902,733 | 699                | \$ 25,180,361        | 79%         | 2,395                    | 74%          | \$10,514        |
| <b>HSA2000</b>   |                    |              |                    |                      |             |                          |              |                 |
| \$4,316,497  | 542                | \$ 2,373,882 | 316                | \$ 6,690,379         | 21%         | 858                      | 26%          | \$ 7,798        |
| <b>TOTAL:</b>  |                    |              |                    | <b>\$ 31,870,740</b> | <b>100%</b> | <b>3,253</b>             | <b>100%</b>  | <b>\$ 9,797</b> |
| <b>DOA Line Agencies Active Employees Enrollment Breakdown<sup>5</sup></b> |                    |              |                    |                      |             |                          |              |                 |
| <b>SC1500</b>  |                    |              |                    |                      |             |                          |              |                 |
| \$ 4,042,644   | 1,693              | \$ -         | -                  | \$ 4,042,644         | 72%         | 1,693                    | 63%          | \$ 2,388        |
| <b>HSA2000</b>   |                    |              |                    |                      |             |                          |              |                 |
| \$1,599,697  | 1,004              | \$ -         | -                  | \$ 1,599,697         | 28%         | 1,004                    | 37%          | \$ 1,593        |
| <b>TOTAL:</b>  |                    |              |                    | <b>\$ 5,642,341</b>  | <b>100%</b> | <b>2,697</b>             | <b>100%</b>  | <b>\$ 2,092</b> |
| <b>DOE Active Employees Enrollment Breakdown</b>                           |                    |              |                    |                      |             |                          |              |                 |
| <b>SC1500</b>  |                    |              |                    |                      |             |                          |              |                 |
| \$ 4,802,927   | 1,210              | \$ 453,932   | 127                | \$ 5,256,859         | 69%         | 1,337                    | 60%          | \$ 3,932        |
| <b>HSA2000</b>   |                    |              |                    |                      |             |                          |              |                 |
| \$ 1,986,766   | 726                | \$ 368,965   | 158                | \$ 2,355,732         | 31%         | 884                      | 40%          | \$ 2,665        |
| <b>TOTAL:</b>  |                    |              |                    | <b>\$ 7,612,591</b>  | <b>100%</b> | <b>2,221</b>             | <b>100%</b>  | <b>\$ 3,428</b> |

**\$746K Estimated Shortfall from FY 2011 Appropriation**

The FY 2011 Budget Act appropriated \$26.4M from the General Fund for enrolled retirees, active employees for line agencies, and DOE active employees.<sup>6</sup> The contributions for retirees of the autonomous agencies (GPA, GWA, and the Port Authority) are paid directly by those agencies. In June 2011, the Supplemental Budget Act (P.L. 31-74) appropriated an additional \$12.7M to help pay for the health insurance premiums, resulting in total appropriations for FY 2011 health insurance premiums to \$39.2M. For FY 2011, DOA and DOE active employees' health insurance premiums paid was \$13.3M. The FY 2011 unaudited healthcare contributions for retirees totaled \$26.7M bringing the total health insurance premiums paid by the General Fund to \$39.9M. This is a shortfall of \$746K against the \$39.2M appropriated for FY 2011. See Table 6 for illustration.

<sup>5</sup> DOA was unable to provide a breakdown of medical only enrollees for both the SC1500 and HSA2000 due to how the data was initially setup in the AS400.

<sup>6</sup> The original health insurance appropriation was \$28.9M, of which \$26.4M was for line agencies, DOE, and retirees, and the remaining \$2.5M was for UOG, GCC, Judiciary, PDSC, and Legislature. However, for purposes of our report, we used the \$26.4M which was just for line agencies, DOE, and retirees.

**Table 6: Shortfall from FY 2011 Appropriation<sup>7</sup>**

| Classification                    | FY 2011<br>Appropriation | FY 2011 Agency<br>Expenditures | Variance              |
|-----------------------------------|--------------------------|--------------------------------|-----------------------|
| General Fund Active Employees     | \$ 7,738,086             | \$ 5,642,341                   | \$ 2,095,745          |
| Department of Education           | \$ 3,789,311             | \$ 7,612,591                   | \$ (3,823,280)        |
| <b>Active Employees Subtotal:</b> | <b>\$ 11,527,397</b>     | <b>\$ 13,254,932</b>           | <b>\$ (1,727,535)</b> |
| GovGuam Retirees                  | \$ 27,642,267            | \$ 26,660,585                  | \$ 981,682            |
| <b>General Fund Total:</b>        | <b>\$ 39,169,664</b>     | <b>\$ 39,915,517</b>           | <b>\$ (745,853)</b>   |

In our *Government of Guam Liabilities Assessment* Report No. 11-03, issued in April 2011, we projected the FY 2011 health insurance shortfall may range from \$9.7M to \$20.1M.

- Based on actual DOA and DOE payments in March 2011 and December 2010, and projection of those payment amounts for the remainder of the fiscal year, total health insurance premiums are estimated to be \$38.6M, a shortfall of \$9.7M against the \$28.9M appropriation for FY 2011.
- Under another methodology, using the Office of Finance and Budget's (OFB) average enrollment data for January and February 2011, the projected government share of health insurance premiums are estimated to be \$49M, a shortfall of \$20.1M against the \$28.9M appropriated for FY 2011.

Without the supplemental appropriation of \$12.7M, the estimated health insurance shortfall would have been \$13.5M for FY 2011, which is between the two projected shortfalls of \$9.7M and \$20.1M. However, said supplemental appropriation reduced the shortfall to an estimated \$746K.

## Rising Healthcare Costs for Seniors

The GGRF benefits specialist stated that retirees and their survivors are eligible to participate in GovGuam's Group Health Insurance Program and are not required to enroll in Medicare. Unlike their U.S. counterparts, eligibility for GovGuam retirees to participate in a health insurance plan is not limited to having a certain number of years in service or by other parameters. Some states allow for a graded vesting so that retirees with more years of service receive a larger subsidy than those with fewer years. Some eligibility requirements of several states are discussed below.

- In Arkansas, the state contributes \$419.17 for retired employees who are not eligible for Medicare and \$212.04 for those who are eligible.
- In Hawaii, the state's health insurance contribution depends on a retiree's date of hire and years of creditable service, and the benefit applies only to individual coverage.

<sup>7</sup> The \$26.7M expenditure for retirees' health insurance premium is only for those retirees funded by the General Fund. The government collectively paid a total of \$31.9M in health insurance premiums on behalf of retirees in FY 2011.

- For retirees hired prior to July 1, 1996, with less than 10 years of creditable service, the state contributes 50% of the premium; for those with 10 or more years, the state pays 100%.
  - For retirees hired after July 1, 1996, with 10–15 years of service, the state pays 50%; with 15–25 years, 75%; and for those with 25 or more years, the state pays 100%.
- In North Dakota, the state provides a credit of \$4.50 for each year of creditable service.
  - In Ohio and Oregon, state retirees are required at age 65 to enroll in Medicare which becomes their primary provider. The state-offered health insurance plan provides complementary or supplemental coverage only.
  - The State of Vermont contributes 80% of the premium for all retirees.
  - In Washington State, retirees are required at age 65 to enroll in Medicare. The premium for individual coverage for those not eligible for Medicare ranges from \$400 to \$484. The state’s contribution depends on Medicare eligibility and the plan chosen.<sup>8</sup>

The cost of health insurance typically rises with age. Retirees in a state plan that includes active employees will pay lower rates than on plans covering only retirees. This is not the case for GovGuam retirees who have a government health insurance plan separate from the active employees. Current law prohibits active employees and retirees from paying different contribution amounts, thus costing GovGuam substantially more to provide retiree healthcare benefits.

In 2008, the U.S. General Accounting Office reported that 14 states did not contribute to healthcare for state retirees. In contrast, 14 other states paid the entire premium for retirees enrolled in state health plans. The remaining states fell somewhere in between, with states and retirees each paying part of the premium for health coverage.

---

<sup>8</sup> Excerpts from the Center for State & Local Government Excellence “*Retiree Health Plans: A National Assessment*” issued in September 2008.

---

---

## **Conclusion and Recommendation**

---

---

GovGuam paid \$55.1M in health insurance premiums during FY 2011. Of this amount, \$39.1M was for 3,253 retirees' health insurance costs and \$23.2M for 7,921 active employees. There is an estimated shortfall of \$746K against the \$39.2M General Fund appropriation. Without the \$12.7M supplemental appropriation, the estimated shortfall would have been \$13.5M. GovGuam contributes substantially more to the cost of retiree healthcare because current statutes prohibit different contribution amounts for active employees and retirees. GovGuam ended FY 2010 with a deficit of \$71.1M, bringing the cumulative deficit to \$336.4M. Given the mounting deficit, the continued cash challenges, and meeting daily government operations, public officials should explore avenues to contain the growth in government expenditures, in particular health insurance cost.

### **Recommendation**

Given that the carrier's data is not reconciled regularly by any government agency against their own information or by the carrier, and that the carrier has not provided timely monthly detailed enrollment information as required by P.L. 31-74, OPA's performance of quarterly audits does not enhance additional reconciliation. The annual single audit should be sufficient to provide the necessary information. Therefore, we recommend the elimination of the mandate to conduct quarterly audits of GovGuam's health insurance payments. In addition, agency reconciliations should still be performed at least randomly to ensure the accuracy of enrollment data and that proper payments are made.

---

---

## Management's Response & OPA Reply

---

---

The DOA Director and the Chairman of the Committee on Appropriations, Taxation, Banking, Insurance, Retirement, and Land were provided a draft report in December 2011, for their feedback. Due to conflicting schedules, we were unable to meet with the Senator. The Senator provided feedback, and certain aspects were incorporated within the report as deemed appropriate.

We met with the DOA Director who later provided a management response indicating she did "not agree to certain statements made on overpayment and enrollment discrepancies." Specifically, she clarified that the carrier-reported \$77.6M is the total premiums received for the government and employee share, whereas the \$55.1M reported by agencies reflects the government's share alone. We also recognized this within the report. She also acknowledged that government agencies do not reconcile the premiums against the enrollment data, but assured OPA that the premium payments processed are only for active employees and retirees, and not inactive employees. She explained that there are several factors contributing to discrepancies in the enrollment count, such as employees who are on leave without pay or military leave without pay; employees who resigned or transferred to another government agency; retirees, survivors and long-term disability members on the Defined Contribution Retirement Plan who are members of the health insurance plan, but did not process through DOA. The Director agreed that GovGuam pays disproportionately more for retirees than for active employees and that the retirees cannot pay more than the active employees. See Appendix 6 for DOA's management response.

We appreciate the cooperation and assistance shown by Department of Administration, Department of Education, Legislature, Judiciary of Guam, the autonomous agencies, and the health insurance carrier during our review.

OFFICE OF PUBLIC ACCOUNTABILITY



Doris Flores Brooks, CPA, CGFM  
Public Auditor

---

---

**Appendix 1:**  
**Objective, Scope and Methodology**

---

---

Our audit objective was to compare GovGuam's health insurance premium payments with the health insurance provider's information. GovGuam has one provider for its health insurance. The scope of this engagement is from October 2010 through August 31, 2011. We did not confirm the accuracy of the government's health insurance contribution payments reported by the agencies.

Our methodology included obtaining an understanding of the government's health insurance premium payment process. We obtained and compared the carrier's enrollment data for GovGuam agencies and the enrollment data received from all agencies and departments, autonomous or otherwise, for all 20 potential insurance categories per month for active employees and retirees. We reported the FY 2009, 2010, and 2011 health insurance contribution rates for each insurance type. We also obtained and analyzed the health insurance contribution rates and percentages for active employees and retirees.

We only received the FY 2011 premium payments data from the carrier in mid-December. Due to the lateness in submission, we only compared the total premiums received by agency with the premium payments the agencies reported in the aggregate. We did not attempt to reconcile the information with the government-provided data.

We did not include the Guam Economic Development and Commerce Authority as they did not provide OPA with its complete FY 2011 health insurance information as of the issue date of this report.

To obtain an understanding of the health insurance premium payments, we solicited information and interviewed officials from GGRF, DOA, DOE, GPA and GWA.

We conducted this review in accordance with the standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. These standards require that we plan and perform the assessment to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. However, we did not assess internal controls relative to GovGuam's health insurance premium payment process. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

---

---

**Appendix 2:**  
**Prior Audit Coverage**

---

---

**Office of the Public Auditor Performance Audits*****December 2009, OPA Report No. 09-07, Government of Guam's Wellness Benefits.***

Auditors found that the negotiated cost of the Wellness Benefits, which included wellness training and fitness center services, did not consider what the greater population of government employees wanted, needed or would use such benefits and be willing to pay for them whether they used them or not. The cost of Wellness Benefits is fixed into the employees and retirees' monthly health insurance premium and is paid to providers at a flat rate. Participation in Wellness Benefits is voluntary, but all employees and retirees share the cost and pay more for the services than private or non-government users. From October 2007 to September 2009, the data provided showed that only 58 government employees participated in the wellness center. Of 10,250 GovGuam health insurance plan enrollees, only around 618 employees utilized the fitness center.

***April 2011, OPA Report No. 11-03, Government of Guam Liabilities Assessment.***

Auditors found that the cumulative deficit as of September 30, 2010 stood at \$349M and that for FY 2010 GovGuam overspent \$83.6M. For FY 2011, the deficit is expected to increase by \$23.7M to \$34.1M as a result of the Department of Mental Health and Substance Abuse's (DMHSA) to pay permanent injunction to pay \$14M, the unbudgeted increases in health insurance premiums from \$9.7M to \$20.1M, and GGRF's unintended windfall of \$14.8M to \$18.1M for lost opportunity income or interest-only payments. Health insurance premiums are expected to increase beyond \$28.9M appropriated for FY 2011. Based on DOA's payments to date and those projected for the remainder of the fiscal year, health insurance cost will total \$38.6M, a shortfall of \$9.7M. Using enrollment data from the Office of Finance and Budget for each health plan and the premiums projected for the remainder of the fiscal year, the total comes to \$49M, a significant shortfall of \$20.1M from the appropriated \$28.9M. Actual payments have not been reconciled against the enrollment data.

**Appendix 3:**  
**FY 2009 ~ 2011 Health Insurance Premium Schedule** (Page 1 of 2)

**Government of Guam - FY 2009**  
**MEDICAL & DENTAL RATES**

| PLAN                       |             | MEDICAL 2008             |           |        | MEDICAL 2009 |        |         | DENTAL 2009 |       |       |
|----------------------------|-------------|--------------------------|-----------|--------|--------------|--------|---------|-------------|-------|-------|
|                            | CLASS       | GOV                      | EMP       | TOTAL  | GOV          | EMP    | TOTAL   | GOV         | EMP   | TOTAL |
| SELECTCARE PHIL500         |             | NOT AVAILABLE FOR FY2009 |           |        |              |        |         |             |       |       |
| SELECTCARE HDHP (HSA) 1500 |             |                          |           |        |              |        |         |             |       |       |
| ACTIVE                     | EE          | 53.54                    | 0.00      | 53.34  | 53.08        | 8.77   | 61.85   | 6.92        | 7.85  | 14.77 |
| BI-WEEKLY                  | EE + SPOUSE | 80.11                    | 38.04     | 118.15 | 85.87        | 47.98  | 133.85  | 10.37       | 22.87 | 33.24 |
|                            | EE + CH     | 68.66                    | 27.80     | 96.46  | 70.68        | 38.71  | 109.39  | 8.88        | 17.89 | 26.77 |
|                            | FAMILY      | 114.44                   | 51.71     | 166.15 | 121.68       | 65.70  | 187.38  | 14.80       | 29.97 | 44.77 |
|                            | GG2+FAMILY  | 122.95                   | 43.20     | 166.15 | 138.70       | 50.99  | 189.69  | 15.90       | 28.87 | 44.77 |
| RETIREE                    | EE          | 227.50                   | 0.00      | 227.50 | 227.00       | 9.50   | 236.50  | 7.50        | 8.50  | 16.00 |
| SEMI-MONTHLY               | EE + SPOUSE | 458.79                   | 41.21     | 500.00 | 468.53       | 51.97  | 520.50  | 11.22       | 24.78 | 36.00 |
|                            | EE + CH     | 378.89                   | 30.11     | 409.00 | 383.56       | 41.94  | 425.50  | 9.62        | 19.38 | 29.00 |
|                            | FAMILY      | 648.98                   | 56.02     | 705.00 | 658.82       | 71.18  | 730.00  | 16.03       | 32.47 | 48.50 |
|                            | GG2+FAMILY  | 658.20                   | 46.80     | 705.00 | 677.26       | 55.24  | 732.50  | 12.23       | 31.27 | 48.50 |
| SELECTCARE HDHP (HSA) 2000 |             |                          |           |        |              |        |         |             |       |       |
| ACTIVE                     | EE          |                          |           |        | 53.08        | 0.00   | 53.08   | 6.92        | 7.85  | 14.77 |
| BI-WEEKLY                  | EE + SPOUSE |                          |           |        | 85.87        | 28.59  | 114.46  | 10.37       | 22.87 | 33.24 |
|                            | EE + CH     |                          |           |        | 70.68        | 23.02  | 93.70   | 8.88        | 17.89 | 26.77 |
|                            | FAMILY      |                          |           |        | 121.68       | 38.01  | 159.69  | 14.80       | 29.97 | 44.77 |
|                            | GG2+FAMILY  |                          |           |        | 138.70       | 23.30  | 162.00  | 15.90       | 28.87 | 44.77 |
|                            |             | NOT                      | AVAILABLE | FY2008 |              |        |         |             |       |       |
| RETIREE                    | EE          |                          |           |        | 195.50       | 0.00   | 195.50  | 7.50        | 8.50  | 16.00 |
| SEMI-MONTHLY               | EE + SPOUSE |                          |           |        | 395.53       | 30.97  | 426.50  | 11.22       | 24.78 | 36.00 |
|                            | EE + CH     |                          |           |        | 324.57       | 24.93  | 349.50  | 9.62        | 19.38 | 29.00 |
|                            | FAMILY      |                          |           |        | 559.32       | 41.18  | 600.50  | 16.03       | 32.47 | 48.50 |
|                            | GG2+FAMILY  |                          |           |        | 577.76       | 25.24  | 603.00  | 12.23       | 31.27 | 48.50 |
| SELECTCARE PHIL 1000       |             |                          |           |        |              |        |         |             |       |       |
| ACTIVE                     | EE          | 53.54                    | 64.61     | 118.15 | 53.08        | 116.77 | 169.85  | 6.92        | 7.85  | 14.77 |
| BI-WEEKLY                  | EE + SPOUSE | 80.11                    | 179.75    | 259.85 | 85.87        | 284.28 | 370.15  | 10.37       | 22.87 | 33.24 |
|                            | EE + CH     | 68.66                    | 143.65    | 212.31 | 70.68        | 232.09 | 302.77  | 8.88        | 17.89 | 26.77 |
|                            | FAMILY      | 114.44                   | 251.56    | 366.00 | 121.68       | 398.47 | 520.15  | 14.80       | 29.97 | 44.77 |
|                            | GG2+FAMILY  | 122.95                   | 243.05    | 366.00 | 138.70       | 383.76 | 522.46  | 15.90       | 28.87 | 44.77 |
| RETIREE                    | EE          | 107.00                   | 70.00     | 177.00 | 276.00       | 126.50 | 402.50  | 7.50        | 8.50  | 16.00 |
| SEMI-MONTHLY               | EE + SPOUSE | 194.28                   | 194.72    | 389.00 | 574.03       | 307.98 | 882.01  | 11.22       | 24.78 | 36.00 |
|                            | EE + CH     | 162.89                   | 155.61    | 318.50 | 470.57       | 251.43 | 722.00  | 9.62        | 19.38 | 29.00 |
|                            | FAMILY      | 275.48                   | 272.52    | 548.00 | 809.32       | 431.68 | 1241.00 | 16.03       | 32.47 | 48.50 |
|                            | GG2+FAMILY  | 284.70                   | 263.30    | 548.00 | 827.76       | 415.74 | 1243.50 | 12.23       | 31.27 | 48.50 |

EE: (Employee only - No dependents)  
 EE + Spouse (Spouse only - no dependents)  
 EE+ CH ( No Spouse- single parent covering child(ren))

Family: (spouse not employed with GovGuam with child(ren))  
 GG2+Family (Both spouses employed with GovGuam with Child(ren))

tdlr 8/14/2008  
 Official

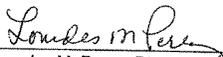
**Appendix 3:**  
**FY 2009 ~ 2011 Health Insurance Premium Schedule** (Page 2 of 2)

| <b>GovGuam MEDICAL RATES</b> |                   |                  |                  |        |                               |                  |         |
|------------------------------|-------------------|------------------|------------------|--------|-------------------------------|------------------|---------|
|                              |                   | Medical 2010     |                  |        | MEDICAL 2011                  |                  |         |
|                              | CLASS             | GOV              | EMP              | TOTAL  | GOV                           | EMP              | TOTAL   |
| <b>SELECTCARE</b>            |                   | <b>2000 Plan</b> |                  |        | <b>HSA2000 Plan</b>           |                  |         |
| ACTIVE                       | 1                 | 48.00            | 0.00             | 48.00  | 79.38                         | 4.62             | 84.00   |
| BI-WEEKLY                    | 2                 | 77.65            | 25.73            | 103.38 | 114.3                         | 61.55            | 175.85  |
|                              | 3                 | 63.92            | 21.00            | 84.92  | 96.00                         | 51.69            | 147.69  |
|                              | 4                 | 110.03           | 34.43            | 144.46 | 159.9                         | 86.10            | 246.00  |
|                              | 5                 | 125.43           | 20.88            | 146.31 | 167.92                        | 80.85            | 248.77  |
|                              | RETIREE           | 1                | 146.00           | 0.00   | 146.00                        | 268.00           | 5.00    |
| SEMI-MONTHLY                 | 2                 | 293.12           | 27.88            | 321.00 | 515.33                        | 66.67            | 582.00  |
|                              | 3                 | 239.74           | 22.76            | 262.50 | 420.50                        | 56.00            | 476.50  |
|                              | 4                 | 407.70           | 37.30            | 445.00 | 714.73                        | 93.27            | 808.00  |
|                              | 5                 | 424.88           | 22.62            | 447.50 | 723.42                        | 87.58            | 811.00  |
|                              | <b>SELECTCARE</b> |                  | <b>1500 Plan</b> |        |                               | <b>1500 Plan</b> |         |
| ACTIVE                       | 1                 | 60.00            | 11.54            | 71.54  | 96.28                         | 41.26            | 137.54  |
| BI-WEEKLY                    | 2                 | 97.06            | 56.63            | 153.69 | 185.19                        | 111.12           | 296.31  |
|                              | 3                 | 79.89            | 48.88            | 128.77 | 155.19                        | 93.12            | 248.31  |
|                              | 4                 | 137.54           | 77.08            | 214.62 | 258.18                        | 154.90           | 413.08  |
|                              | 5                 | 156.78           | 60.14            | 216.92 | 270.00                        | 145.38           | 415.38  |
|                              | RETIREE           | 1                | 216.00           | 12.50  | 228.50                        | 315.30           | 44.70   |
| SEMI-MONTHLY                 | 2                 | 441.15           | 61.35            | 502.50 | 673.13                        | 120.38           | 793.50  |
|                              | 3                 | 358.05           | 52.95            | 411.00 | 548.13                        | 100.88           | 649.00  |
|                              | 4                 | 613.51           | 83.49            | 697.00 | 931.69                        | 167.81           | 1099.50 |
|                              | 5                 | 634.35           | 65.15            | 699.50 | 944.50                        | 157.50           | 1102.00 |
|                              |                   |                  | <b>1000 Plan</b> |        |                               | <b>1000 Plan</b> |         |
|                              |                   |                  |                  |        | <b>NOT OFFERED FOR FY2011</b> |                  |         |

| <b>GovGuam DENTAL RATES</b> |         |             |       |       |             |       |       |
|-----------------------------|---------|-------------|-------|-------|-------------|-------|-------|
|                             |         | DENTAL 2010 |       |       | DENTAL 2011 |       |       |
|                             | CLASS   | GOV         | EMP   | TOTAL | GOV         | EMP   | TOTAL |
| ACTIVE                      | 1       | 6.46        | 9.23  | 15.69 | 7.38        | 7.38  | 14.76 |
| BI-WEEKLY                   | 2       | 9.68        | 25.40 | 35.08 | 9.97        | 23.26 | 33.23 |
|                             | 3       | 8.29        | 20.33 | 28.62 | 8.03        | 18.74 | 26.77 |
|                             | 4       | 13.82       | 33.72 | 47.54 | 13.43       | 31.34 | 44.77 |
|                             | 5       | 14.85       | 32.69 | 47.54 | 15.67       | 29.10 | 44.77 |
|                             | RETIREE | 1           | 7.00  | 10.00 | 17.00       | 8.00  | 8.00  |
| SEMI-MONTHLY                | 2       | 10.49       | 27.51 | 38.00 | 10.80       | 25.20 | 36.00 |
|                             | 3       | 8.98        | 22.02 | 31.00 | 8.70        | 20.30 | 29.00 |
|                             | 4       | 14.97       | 36.53 | 51.50 | 14.55       | 33.95 | 48.50 |
|                             | 5       | 16.08       | 35.42 | 51.50 | 16.98       | 31.52 | 48.50 |

- CLASS**
- 1 - Employee/Retiree/Survivor
  - 2 - Employee/Retiree/Survivor + Spouse Only
  - 3 - Employee/Retiree/Survivor + Child (ren) NO SPOUSE
  - 4 - Employee/Retiree/Survivor + Family (spouse or common law not employed in GovGuam)
  - 5 - Employee/Retiree/Survivor + Family (both spouse or common law employed in GovGuam)

  
 August 16, 2010  
 Lourdes M. Perez, Director  
 Department of Administration

**Appendix 4:**  
**July 2011 Variances between Carrier and GovGuam Enrollment**

| Count | Agency         | Carrier Enrollment |         | GovGuam Enrollment |         | Variance |         |
|-------|----------------|--------------------|---------|--------------------|---------|----------|---------|
|       |                | SC1500             | HSA2000 | SC1500             | HSA2000 | SC1500   | HSA2000 |
| 1     | Retirees       | 2479               | 893     | 2376               | 856     | 103      | 37      |
| 2     | DOA            | 1266               | 781     | 1674               | 982     | 408      | 201     |
| 3     | DOE            | 1313               | 865     | 1247               | 753     | 66       | 112     |
| 4     | GMHA           | 370                | 331     | 389                | 330     | 19       | 1       |
| 5     | UOG            | 254                | 218     | 251                | 209     | 3        | 9       |
| 6     | GPA            | 221                | 174     | 217                | 175     | 4        | 1       |
| 7     | Superior Court | 125                | 140     | 123                | 137     | 2        | 3       |
| 8     | PAG            | 158                | 99      | 157                | 96      | 1        | 3       |
| 9     | GWA            | 124                | 118     | 124                | 117     | 0        | 1       |
| 10    | GCC            | 162                | 57      | 225                | 69      | 63       | 12      |
| 11    | GIAA           | 87                 | 46      | 82                 | 42      | 5        | 4       |
| 12    | GHURA          | 32                 | 36      | 31                 | 37      | 1        | 1       |
| 13    | Legislature    | 29                 | 34      | 27                 | 33      | 2        | 1       |
| 14    | PDSC           | 19                 | 18      | 15                 | 15      | 4        | 3       |
| 15    | GGRF           | 11                 | 18      | 10                 | 19      | 1        | 1       |
| 16    | GVB            | 8                  | 14      | 13                 | 13      | 5        | 1       |
| 17    | GHC            | 6                  | 10      | 6                  | 11      | 0        | 1       |

**Appendix 5:**  
**Unaudited FY 2011 Health Insurance Premiums by GovGuam**

The table below details the unaudited health insurance premium payments reported by government agencies of the government's share.

| Count                                | Agency            | Amount <sup>9</sup>  | Amount %    | Average Enrollment | Count %     | Average Cost <sup>10</sup> |
|--------------------------------------|-------------------|----------------------|-------------|--------------------|-------------|----------------------------|
| 1                                    | Retirees          | \$ 31,870,740        | 52%         | 3,253              | 26%         | \$ 9,797                   |
| <b>Retirees Subtotal:</b>            |                   | <b>\$ 31,870,740</b> | <b>52%</b>  | <b>3,253</b>       | <b>26%</b>  | <b>\$ 9,797</b>            |
| 2                                    | DOA <sup>11</sup> | \$ 5,642,341         | 19%         | 2,697              | 33%         | \$ 2,092                   |
| 3                                    | DOE               | \$ 7,612,591         | 12%         | 2,221              | 18%         | \$ 3,428                   |
| 4                                    | GMHA              | \$ 2,580,270         | 4%          | 727                | 6%          | \$ 3,549                   |
| 5                                    | UOG               | \$ 1,639,309         | 3%          | 460                | 4%          | \$ 3,564                   |
| 6                                    | GPA               | \$ 1,494,977         | 2%          | 391                | 3%          | \$ 3,823                   |
| 7                                    | Superior Court    | \$ 897,470           | 1%          | 261                | 2%          | \$ 3,439                   |
| 8                                    | PAG               | \$ 775,066           | 1%          | 248                | 2%          | \$ 3,125                   |
| 9                                    | GWA               | \$ 725,399           | 1%          | 243                | 2%          | \$ 2,985                   |
| 10                                   | GCC               | \$ 604,532           | 1%          | 311                | 2%          | \$ 1,944                   |
| 11                                   | GIAA              | \$ 515,047           | 1%          | 127                | 1%          | \$ 4,055                   |
| 12                                   | GHURA             | \$ 241,433           | 0%          | 74                 | 1%          | \$ 3,263                   |
| 13                                   | Legislature       | \$ 206,364           | 0%          | 65                 | 1%          | \$ 3,175                   |
| 14                                   | PDSC              | \$ 111,141           | 0%          | 30                 | 0%          | \$ 3,705                   |
| 15                                   | GGRF              | \$ 76,736            | 0%          | 29                 | 0%          | \$ 2,646                   |
| 16                                   | GVB               | \$ 64,470            | 0%          | 20                 | 0%          | \$ 3,224                   |
| 17                                   | GHC               | \$ 40,715            | 0%          | 17                 | 0%          | \$ 2,395                   |
| <b>Active Subtotal:<sup>12</sup></b> |                   | <b>\$ 23,227,863</b> | <b>48%</b>  | <b>7,921</b>       | <b>74%</b>  | <b>\$ 2,932</b>            |
| <b>TOTAL:</b>                        |                   | <b>\$ 55,098,603</b> | <b>100%</b> | <b>11,174</b>      | <b>100%</b> | <b>\$ 4,931</b>            |

<sup>9</sup> The amounts were rounded off to the nearest dollar.

<sup>10</sup> Derived by Amount Reported ÷ Enrollment Count.

<sup>11</sup> DOA represents all line agencies under the executive branch.

<sup>12</sup> Agencies #4 through #17 make up the 14 Other Entities.

**Appendix 6:  
DOA's Management Response**

(Page 1 of 2)



Edward J.B. Calvo  
Governor  
Ray S. Tenorio  
Lieutenant Governor

GOVERNMENT OF GUÅHAN  
(GUBETNAMENTON GUÅHAN)  
DEPARTMENT OF ADMINISTRATION  
(DIPATTAMENTON ATMENESTRASION)

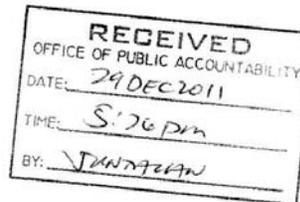
HUMAN RESOURCES DIVISION  
(Dibision Inadilanto Yan Guinaha Para Taotao)  
Post Office Box 884 \* Hagåtña, Guam 96932  
TEL: (671) 475-1123/1201/1265 \* FAX: (671) 477-7100



Benita A. Manglona  
Director  
George A. Santos  
Deputy Director

12/29/11

Doris Flores Brooks, CPA, CGFM  
Public Auditor  
Suite 401, DNA Building  
238 Archbishop Flores Street  
Hagatna, Guam 96910



Dear Ms. Brooks:

Thank you for the opportunity to comment on the Performance Audit of the Government of Guam Health Benefit Costs Account provided to our office on December 28, 2011.

First and foremost, we must advise OPA our office was not given ample time to thoroughly review and validate the information presented; and therefore, we do not agree to certain statements made on overpayment and enrollment discrepancies. We, however, can provide general comments and feedback as follows:

**The carrier reported that it received \$77.6M while GovGuam reported a remittance of \$55.1M reflecting a discrepancy of \$22.5M in premiums.** We must clarify that the amount reported by the carrier is all inclusive of the government and employee share for a total of \$77.6M. The \$55.1M reported by the agencies reflects the government's share alone. Please note that the information was also validated by the Selectcare Plan Administrator, via phone conversation on December 29.

**OPA states that no government agency reconciles its enrollment data against health insurance carrier's reports, to ensure that payments are made properly.** Furthermore, their report reveals enrollment variances and as such, they could not use the enrollment data to quantify the government's potential over- or underpayment of health insurance premiums.

This is true that no government agency reconciles the premiums against the enrollment. We must also assure OPA, however, that premiums are only remitted for employees who are on payroll, and therefore, the likelihood of overpayment may not be an issue.

The payroll branch deducts the employees share from the employee's payroll which is then remitted by the Division of Accounts along with the government's share. Employees' who are not on payroll, will of course, not have any deductions made; however, may still be factored in with the enrollment figure. OPA's comments that premiums do not coincide with enrollment figures may be contributed to several factors; for example, employees who are on leave without pay status and those on military leave without pay. Another factor is employees who resigned or transferred from a line agency to autonomous (or vice versa) but who have not submitted a cancellation form. In this case, their enrollment will still be reflected in the enrollment figures, thus showing a discrepancy. Again, we must stress that premiums for these groups will not be

sent; however, their enrollment into the plan will still be counted. Another factor that may contribute to the discrepancy is the retirees, survivors and Long Term Disability members on the Defined Contribution Retirement Plan. To date, there are approximately 350 "reported" individuals. The continuation of the insurance benefits is the responsibility of the department where these individuals retired in which the department remits the insurance premiums. These individuals must be processed at DOA to continue their insurance benefits. However, these individuals do not come to DOA for processing. As a result, their DC retiree/survivor/LTD member' share is not paid, and therefore, the government's share is not remitted. Again, their enrollment is factored into the total enrollment count, therefore, mounting to the discrepancy noted in OPA's report.

Again, premiums will not be remitted for individuals who are not on payroll. However, as mentioned, enrollment will still be counted for those employees on leave without pay, military leave without pay, employees who resigned, and for DC members who have not processed with DOA. For these scenarios mentioned, premiums will not be transmitted as well. These discrepancies will contribute to the variances between enrollment numbers and premiums.

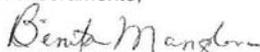
***We agree, as stated in the audit, that "GovGuam pays disproportionately more for retirees than for active employees and as mentioned, pursuant to law, the retirees cannot pay more than the active employees.*** We must also note that the majority of GovGuam retirees are not eligible for Medicare as contributions were not remitted. The government of Guam was advised by the Social Security Administration to commence withholding deductions for employees hired on April 1, 1986 and after. The withholdings did not commence until September 27, 1998. This ineligibility for Medicare has added to the retiree rate we see today.

We recommend each agency be responsible in reconciling their premiums against the enrollment data. This would address potential issues of payment versus enrollment.

Given the short timeline given to respond, we hope that the comments provided above can assure OPA that the likelihood of overpayment may not be an issue as payment is directly linked to the payroll system for active employees.

Should you have any questions, please contact our office at 475-1250. Si Yu'us Ma'ase.

Senseramente,

  
Benita A. Manglona, Director  
Department of Administration

