



**Executive Summary**  
**Guam Memorial Hospital Authority**  
**Contracted Physician Compensation Package and Privileges, Part I**  
**Contracted and GG-1 Physicians**  
**OPA Report No. 25-04, March 2025**

The Office of Public Accountability (OPA) conducted a performance audit of the Guam Memorial Hospital Authority's (GMHA) Contracted Physician Compensation Package and Privileges, Part I - Contracted Physicians and GG-1 Physicians. This performance audit will be conducted in three phases. The audit covered Fiscal Years (FY) 2020 to 2023, during which GMHA compensated 168 physicians: 136 contracted, 14 Government of Guam (GovGuam) Form 1 (GG-1), and 18 contracted and GG-1. The contracted physicians received a total of \$78.6 million (M) over the four FYs, while the 32 GG-1 physicians were paid a cumulative \$27.3M. Of the 32 GG-1 physicians, 18 were paid both as contracted and GG-1 physicians, totaling \$19.2M (\$6.9M contracted, \$12.3M GG-1), while the remaining 14 received only GG-1 compensation, totaling \$15.1M. Overall, the total payments made to the 168 physicians amounted to \$105.9M.

Based on our review of applicable GovGuam and GMHA laws, regulations, internal policies and procedures, and analysis of physician agreements/contracts, staffing patterns, and the actual compensations paid to the physicians, we noted deficiencies relative to:

- 1) Compliance with Guam hiring regulations for contracted and GG-1 Physicians
  - Lack of general or specific internal policy to govern the contracting, hiring, and documentation processes of physicians.
- 2) Documentary Deficiencies in Employment Agreement/Contracts Executed by Physicians
  - Non-Execution of Professional Services Agreement (PSA: for contracted physicians), Unclassified Employment Agreement (UEA: for GG-1 Physicians) and Memorandum of Agreement (MOA: for locum tenens or temporary physicians);
  - Noncompliance with approval requirements for PSA, UEA, and MOA; and
  - Other deficiencies on other required documents.

The audit findings relative to the current and prevailing procedural processes embodies potential risks due to the absence of well-defined internal policies, regulations and guidelines. Specifically, we found:

**I. Compliance with Guam Hiring Regulations for Contracted and GG-1 Physicians**

According to GMHA (or the Hospital), physicians are unclassified personnel appointments under Title 10 of Guam Code Annotated (GCA) §80113 and 4 GCA §§6229-6229.15, as applicable. Title 4 GCA §6229.14 states, "All GovGuam agencies shall be exempted from the government of Guam Department of Administration recruitment process for the hiring of nurses and other healthcare professional positions." Per GMHA, the relevant statutory provisions have historically been interpreted as **allowing direct unclassified employment "contracts" or "agreements."** As far as it can be ascertained, GMHA has appointed physicians to unclassified service for as long as they

have existed. GMHA is not aware that a request for proposal (RFP) or other formal procurement procedures have ever been issued for physician services. GMHA is also routinely permitted under the Budget Act to hire and expend funds to pay unclassified doctors, nurses, and licensed health professionals. GMHA physician hiring is not subject to the Guam Procurement Law and Regulations **as it is governed by its own related regulations.**

### **1. Lack of General or Specific Internal Policy to Govern the Contracting, Hiring, and Documentation Processes of Physicians**

In the GMHA Legal Counsel's response dated June 2024, to OPA preliminary questions, GMHA uses three different types of employment agreements for physicians with their corresponding use/applicability:

- A. PSA • typically used for independent physicians sometimes referred to as **“independent contractors.”**
- B. UEA • typically used for physicians directly employed by GMHA and documented by a GG-1.
- C. MOA • typically used for locum tenens physicians and certain physician groups.

We were unable to find an internal policy regarding each type of employment agreements/contracts shown above, as defined by the GMHA Legal Counsel through their response to OPA. In our exit conference in November 2024, the Hospital Administrator/Chief Executive Officer (CEO) clearly stated, to quote **“We don't have a specific policy, but we are crafting right now. We're going by how it's practiced.”**

Based on GMHA's responses, the hiring of physicians and corresponding agreements/contracts were currently not governed by a general or specific internal policy. This policy could be in a form of written formal instructions to document operational functions and provide guidance to personnel and officials in performing certain actions relative to physician contracting, hiring and documentation processes. This policy needs to include a guideline on the appropriate use of the three types of employment agreement/contract.

## **II. Findings Categorized According to Employment Agreement/Contracts Executed by Physicians**

### **A. Contracted Physician - PSA**

A PSA is an agreement between GMHA and an independent physician, (sometimes referred to as “independent contractor”) specifying terms and conditions, which includes 1) services and obligations, 2) billings and collections, 3) compensation, 4) independent contractor status, 5) insurance, and 6) terms and terminations.

Based on GMHA's compensation data, the Hospital contracted 168 physicians with total compensation of \$93.7M from FY 2020 to FY 2023. However, this was adjusted to \$78.6M following GMHA's response to an OPA inquiry. We confirmed that the original list included 14

physicians in management and administrative roles (GG-1 Employees), but the total compensation of \$93.7M was not adjusted to exclude them. The annual compensations for the 168 contracted physicians (adjusted to 154) are as follows:

Fiscal Year	Original Data Per GMHA (168)	Adjusted Data Per OPA (154)
2020	\$18.8M	\$14.7M
2021	\$22.3M	\$17.6M
2022	\$25.4M	\$21.9M
2023	\$27.2M	\$24.4M
Total	\$93.7M	\$78.6M

See also [Appendix 5](#) for the breakdown of GMHA contracted physicians and corresponding compensations for the four (4) FYs.

**1. Non-execution of PSA by some Contracted Physicians**

It is the policy of GMHA (Policy No. A-LD700) to enter into contractual agreements with qualified organizations, vendors, or individuals to effectively recruit or procure **medical, administrative, ancillary, personnel, and other services as necessary for the operation of GMHA’s facilities.**

Out of 36 sampled contracted physicians, six (6) did not execute PSAs, which is an employment agreement applicable for independent physicians (independent contractors) per GMHA. The total cumulative compensations paid to these physicians, who did not execute PSAs for the four fiscal years amounted to \$12.8M. See [Appendix 6](#) for details of contracted physicians without PSAs.

According to GMHA, [Appendix 6](#) - “Contracted Physicians Without PSAs” is wrong and contains physicians employed evidenced by a GG-1 and that do not execute PSAs. The physicians on the list without a GG-1 were providing services under written agreement with physicians group or practice group.

Based on GMHA’s responses, a PSA is typically used for independent physicians, referred to as “independent contractor.” Therefore, these physicians who were **paid for their services as contracted physicians** need to execute a PSA, which embodies different terms and conditions that govern **contracted** physician’s services and compensations.

**2. Non-compliance with Approval Requirement on PSA**

GMHA Administrative Manual - Policy No. 8650-1.207 Contracted Staff (Off-Island/Local) policy outlined that **all employment agreements/contracts** shall be presented to the Human Resources (HR) Board of Trustees Subcommittees, for review and justification to seek recommendation and approval by the HR Board of Trustees General Board for **concurrence/approval**. One of the specified procedures for both local and off-island contract hires require that the **Personnel Services Administrator** shall prepare a transmittal letter

accompanied by the **Employment Contract** to the following agencies for clearances and signatures:

- Bureau of Budget and Management Research (BBMR);
- Attorney General’s Office; and
- **Governor’s Office for final approval**

In addition, the policy states that **GMHA shall categorize the proposed contract into one of the six categories, which include Professional Services-Physician services. All contracts must be in writing.** The final signed contract shall be forwarded to the HR Office and/or Medical Staff Office (**for personnel contracts**), who will prepare a transmittal letter to accompany the draft contract for review, clearance, and signature by:

- |                              |   |
|------------------------------|---|
| a. Attorney General’s Office | As to form and compliance with local laws; and  |
| b. <b>Governor’s Office</b>  | <b>As final approving authority; signature required for the contract to be valid and enforceable.</b> |

The PSAs executed by 20 sampled physicians did not bear the required approval signatures by the HR Board of Trustees General Board, BBMR, Office of the Attorney General, and Office of the Governor (**final approving authority**). **The Governor’s signature is required for the contract to be valid and enforceable.**

### **3. Non-Compliance with Fee Schedule Requirement per PSA**

According to GMHA’s Section II - Billings & Collections of the PSAs, GMHA shall establish and maintain a “**fee schedule**” for professional services provided by the physicians. A fee schedule is defined as a predetermined list of fees or charges that healthcare providers such as hospitals, physicians and other health care facilities establish for their services. GMHA did not provide OPA the fee schedules for services of contracted physicians who executed PSAs, as embodied in the agreement.

## **B. Employees Directly Employed via GG-1 –UEA**

### **1. Non-execution of UEA by Some GG-1 Physicians**

A UEA is an agreement for physicians directly employed by GMHA and documented by GG-1. GMHA hired 32 physicians, who were documented through a GG-1 and are included in the annual staffing pattern. We noted that these GG-1 physicians were those that occupied management and administrative positions. These 32 physicians were compensated for a total of \$27.3M over the four fiscal years as unclassified GG-1 physicians, and 18 of the 32 physicians were also paid a total of \$6.9M as contracted physicians. See [Appendix 7](#) for breakdown of type of compensations paid to these physicians for FY 2020 through FY 2023.

Out of the 32 physicians, 30 who were paid a cumulative total of \$25.5M for the four (4) FYs, did not execute UEAs. There were 11 of them who executed PSAs, one (1) MOA and 18 who did not execute any agreement at all; thus, the employment of the 18 GG-1 physicians was not

covered by any formal agreement/contract. See Table 3 in the body of the report and [Appendix 7](#) for breakdown of type of compensations paid to these physicians for FY 2020 through FY 2023.

It is the policy of GMHA (Policy No. A-LD700) to **enter into contractual agreements** with qualified organizations, vendors, or individuals to effectively **recruit or procure medical, administrative, ancillary, personnel, and other services as necessary for the operation of GMHA's facilities.**

According to GMHA, it did not always use UEAs for GG-1 physicians but has **recently required them for new or re-hired employees.** Although we could not determine the effectivity of the recent mandatory UEA requirement, the policy to enter into contractual agreements with medical recruits appeared selective as the physicians hired from FY 2020 to FY 2023 were not subsequently required to execute UEAs.

## **2. Non-compliance with Approval Requirement**

Similar to PSAs, the UEAs executed by two physicians did not have the required approval signatures per GMHA Administrative Manual - Policy No. 8650-1.207 Contracted Staff (Off-Island/Local and GMHA's Administrative Manual, Policy No. A-LD700).

The cumulative total compensation paid to the two GG-1 physicians for the four (4) FYs amounted to \$1.8M. To reiterate, physician hiring is not subject to the Guam Procurement Law and Regulations and is governed by GMHA's **own related regulations.** Therefore, hiring of these physicians must comply with the prescribed GMHA internal policies.

## **3. GG-1 Physicians not in the Staffing Pattern and Without UEAs**

Three physicians paid as GG-1 employees did not appear in the GMHA staffing pattern for certain FYs they were paid. These physicians did not execute UEAs or other employment agreements/contracts. Therefore, the basis for compensation for these physicians, who were paid a total of \$248 thousand (K), cannot be validated.

According to GMHA, because GG-1 physicians occupy a number of positions, they are all reflected in the staffing pattern. Individuals hired after the creation and transmittal of the most recent staffing pattern may not appear on the staffing pattern until the next quarter.

## **C. Locum Tenens Physicians - MOA**

### **1. Non-compliance with Approval Requirement for MOAs**

MOAs are intended for locum tenens physicians and certain physician groups. Of the 168 contracted physicians, we found that 28 of these physicians executed MOAs (instead of UEAs), which did not have the required approvals, thus a violation of GMHA's internal policy. This approval signature requirement for all employment agreements/contracts are outlined in GMHA's Administrative Manual, Policy No. 8650-1.207 Contracted Staff (Off-Island/Local) and Policy No. A-LD700.

## **Conclusion and Recommendations**

The governance of physician hiring at GMHA is structured around specific internal regulations and is exempted from the Guam Procurement Law and Regulations. Historically, GMHA has appointed physicians without the need for formal RFPs or procurement procedures. It is the policy of GMHA (Policy No. A-LD700) to **enter into contractual agreements** with qualified organizations, vendors, or individuals to effectively recruit or procure **medical, administrative, ancillary, personnel, and other services as necessary for the operation of GMHA's facilities**. However, GMHA lacks a general or specific internal policy to govern the contracting, hiring, and documentation processes of physicians.

The audit findings relative to deficiencies on GMHA's current and prevailing procedural processes embodies potential risks due to the absence of well-defined internal policies, regulations, and guidelines in contracting of independent physicians, hiring of GG-1 physicians, and insufficient and deficient documentations.

We believe that GMHA's mission to serve the medical needs of the people of Guam should be supported by GovGuam and all its stakeholders. However, it is imperative that GMHA ensure effectiveness and efficiency in its hiring, contracting and documentation processes through the formulation of well-defined internal policies and regulations and strict adherence thereto.

Our recommendations to GMHA management, emphasize the significance of a formulating well defined internal policies and procedures and guidelines and strict adherence and compliance to contractual requirements, effective reviews of contracts, and other pertinent documents to maximize and efficiently use the hospital's scarce resources. Audit recommendations are detailed in [Appendix 3](#).

We recognize the efforts exerted by the GMHA management and staff to administer the Hospital with the combined and wholehearted dedication of its physicians and all medical personnel who are committed to address the health care needs of the people of Guam. We believe that every citizen aspires for an efficient and continuous operation of the sole GovGuam hospital by hiring qualified and dedicated physicians and other medical personnel to satisfactorily address the constituents' medical needs at reasonable and affordable cost.



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