



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
Retirees Subtotal:	\$ 31,870,740	58%	3,253	29%	\$ 9,797
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
Active Employees Subtotal:	\$ 23,227,863	42%	7,921	71%	\$ 2,932
TOTAL:	\$ 55,098,603	100%	11,174	100%	\$ 4,931

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.”

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