Outlook

Re: Messages & Communications Doc. No. 38GL-26-2739 through 2748.

From Guam Legislature Clerks <clerks@guamlegislature.gov>
Date Tue 8/18/2026 8:42 AM
To 38th Committee On Rules <committeeonrules@guamlegislature.gov>

Håfa Adai,

Received, and thank you.

Elijah Untalan
Clerks Office
I Mina'trentai Ocho na Liheslaturan Guåhan
Guam Congress Building, 163 Chalan Santo Papa, *Hagåtña*, Guam 96910
Voice: (671) 472-3465/3460 Fax: (671) 472-3524
guamlegislature.gov

From: 38th Committee On Rules <committeeonrules@guamlegislature.gov>
Sent: Monday, August 17, 2026 4:37 PM
To: Guam Legislature Clerks <clerks@guamlegislature.gov>
Cc: Frank Blas Jr. <speakerblas@guamlegislature.gov>
Subject: Messages & Communications Doc. No. 38GL-26-2739 through 2748.

Håfa Adai Clerks Office,
Please see attached, **Messages & Communications Doc. No. 38GL-26-2739 through 2748** for processing:

√	**38GL-26-2739**	Department of Youth Affairs	FY2026 3rd Quarter Reports – Financial, Non-Profit Organization, Non-Appropriated Fund, Staffing Pattern and Prior Year Obligation for the period ending June 30, 2026*
√	**38GL-26-2740**	Guam Community College	Board of Trustees Special Meeting Packet for August 3, 2026*
√	**38GL-26-2741**	Department of Public Health and Social Services	Guam Board of Nurse Examiners Regular Board Meeting Packet for August 13, 2026*
√	**38GL-26-2742**	Bureau of Budget and Management Research	Budget Certification for Department of Labor FY2026 Budget Request.
√	**38GL-26-2743**	Department of Administration	Draft Quarterly Statement of Revenue, Expenditures and Changes in Fund Balance for 3rd Quarter FY 2026*
√	**38GL-26-2744**	Civil Service Commission	Board Meeting Packet for August 13, 2026*
√	**38GL-26-2745**	Department of Public Health and Social Services	Guam Board of Allied Health Examiners Regular Board Meeting Packet for August 14, 2026*
√	**38GL-26-2746**	Office of the Mayor - Municipality of Piti	FY 2026 Typhoon Bavi Emergency Fund -Expenditure Summary Report*
√	**38GL-26-2747**	Department of Public Health and Social Services	Prior Year Obligation to pay RAN CARE, INC. in the total amount of $64,194.36*
√	**38GL-26-2748**	Department of Administration	FY2027 Health Insurance Negotiations and Group Health Insurance Procurement – Pharmacy*

Please retrieve Doc. No. 38GL-26-2746 through 2748 from link below:

Messages & Communications Physical Scanned Copy - Google Drive

Kindly reply to this email.

Si Yu'os ma'åse',
Marie Crisostomo
Committee on Rules Assistant
COMMITTEE ON RULES
Vice Speaker V. Anthony Ada, Chairperson
I Mina'trentai Ocho Na Liheslaturan Guåhan
38th Guam Legislature

Messages and Communications 38GL-26-2748*

2 messages

Speaker Frank Blas Jr. <speakerblas@guamlegislature.gov> Fri, Aug 14, 2026 at 5:07 PM
To: 38th Committee On Rules <committeeonrules@guamlegislature.gov>, Sabrina Salas Matanane <office.senatorbri@guamlegislature.gov>

Håfa adai,

Please see attached M&C Doc. No. 38GL-26-2748

38GL-26-2748	Department of Administration	FY2027 Health Insurance Negotiations and Group Health Insurance Procurement – Pharmacy*

Si Yu'os Ma'åse'

Bernice Rivera

Administrative Assistant

Office of Speaker Frank F. Blas, Jr.

I Mina'trentai Ocho na Liheslaturan Guåhan 38th Guam Legislature

Guam Congress Building, 163 Chalan Santo Papa, Hagatña

(671)969-6456
speakerblas@guamlegislature.gov

---------- Forwarded message ---------
From: **Naomi Sablan** <Naomi.Sablan@doa.guam.gov>
Date: Fri, Aug 14, 2026 at 1:33 PM
Subject: FY27 Group Health Insurance - PBM & GHI Briefing memos
To: Speaker Frank Blas Jr. <speakerblas@guamlegislature.gov>
Cc: Leonora P. Candaso <Leonora.Candaso@doa.guam.gov>, DOA_healthinsurance <DOA_healthinsurance@doa.guam.gov>

Hafa Adai Honorable Speaker,

Please see attached memo regarding the FY27 Group Health Insurance Program.

Thank you,

DEPARTMENT OF ADMINISTRATION
DIPATTAMENTON ATMENESTRASION

Naomi C. Sablan
Insurance Division
Tel: 671-475-1179
Website: DOA Insurance Division

4 attachments

GovGuam GHI Legislature Briefing Memo 8.5.26.pdf
453K

GovGuam PBM Legislature Briefing Memo FY 27 8.5.26.pdf
292K

FY27 GHI Premium Splits.pdf
80K

38GL-26-2748.pdf
1127K

38th Committee On Rules <committeeonrules@guamlegislature.gov> Fri, Aug 14, 2026 at 8:24 PM
To: "Speaker Frank Blas Jr." <speakerblas@guamlegislature.gov>

Håfa Adai,

Received, and thank you.

Si Yu'os ma'åse',

Marie Crisostomo

Committee on Rules Assistant

COMMITTEE ON RULES

Vice Speaker V. Anthony Ada, Chairperson

I Mina'trentai Ocho Na Liheslaturan Guåhan

38th Guam Legislature

[Quoted text hidden]

THE GUAM LEGISLATURE

Speaker Frank Blas Jr. <speakerblas@guamlegislature.gov>

FY27 Group Health Insurance - PBM & GHI Briefing memos

2 messages

Naomi Sablan <Naomi.Sablan@doa.guam.gov> Fri, Aug 14, 2026 at 1:33 PM
To: "Speaker Frank Blas Jr." <speakerblas@guamlegislature.gov>
Cc: "Leonora P. Candaso" <Leonora.Candaso@doa.guam.gov>, DOA_healthinsurance <DOA_healthinsurance@doa.guam.gov>

Doc Type: 38GL-26-2748
OFFICE OF THE SPEAKER
FRANK F. BLAS, JR.
August 14, 2026
Time: 1:33 PM
Received: PB

Hafa Adai Honorable Speaker,

Please see attached memo regarding the FY27 Group Health Insurance Program.

Thank you,

DEPARTMENT OF ADMINISTRATION
DIPATTAMENTON ATMENESTRASION

Naomi C. Sablan
Insurance Division
Tel: 671-475-1179
Website: DOA Insurance Division

3 attachments

GovGuam GHI Legislature Briefing Memo 8.5.26.pdf
453K

GovGuam PBM Legislature Briefing Memo FY 27 8.5.26.pdf
292K

FY27 GHI Premium Splits.pdf
80K

Speaker Frank Blas Jr. <speakerblas@guamlegislature.gov> Fri, Aug 14, 2026 at 3:28 PM
To: Naomi Sablan <Naomi.Sablan@doa.guam.gov>
Cc: "Leonora P. Candaso" <Leonora.Candaso@doa.guam.gov>, DOA_healthinsurance <DOA_healthinsurance@doa.guam.gov>

Håfa Adai,

Confirming receipt of your email.

Si Yu'os Ma'åse'

Bernice Rivera

Administrative Assistant

Office of Speaker Frank F. Blas, Jr.

I Mina'trentai Ocho na Liheslaturan Guåhan 38th Guam Legislature

Guam Congress Building, 163 Chalan Santo Papa, Hagatña

(671)969-6456
speakerblas@guamlegislature.gov

[Quoted text hidden]

EDWARD M. BIRN
Director (Direktot)
RENA K. BORJA
Deputy Director (Sigundo Direktot)

DEPARTMENT OF ADMINISTRATION
DIPATTAMENTON ATMENESTRASION

DIRECTOR'S OFFICE
(Ufisinan Direktot)
Telephone (*Telifon*): (671) 475-1101/1250

LOURDES A. LEON GUERRERO
Governor (Maga'håga)
JOSHUA F. TENORIO
Lt. Governor (Sigundo Maga'låhi)

Date: August 5, 2026

Honorable Frank Blas Jr.
Speaker
I Mina' Trentai Ocho Na Liheslaturan Guåhan
38th Guam Legislature
Guam Congress Building
163 Chalan Santo Papa
Hagatna, Guam 96910

38GL-26-2748
Messages and Communications
RECEIVED
COMMITTEE ON RULES
August 14, 2026
5:07 p.m.
Marie Crisostomo

Subject: Health Insurance Negotiations for FY 2027

Dear Honorable Speaker:

Buenas yan Hafa Adai! Health insurance negotiations for FY 2027 were successfully concluded in accordance with the group health insurance benefit law for active employees, retirees, and survivors of the Government of Guam (GovGuam) found in Chapter 4 of Title 4, Section 4301, Guam Code Annotated. Administrative service fees for foster children and inmates were also included in this competitive solicitation. The Government of Guam Health Insurance Negotiating Team (Team) presented the results to the Governor of Guam for a final selection. In this memo, the Team presents the results to the Guam Legislature for the FY27 Group Insurance Plan Year. This year, the pharmacy benefits were selected in a separate proposal process. This memo focuses on the medical and dental benefits only.

GovGuam received third party administrator (TPA) bids for FY 2027 medical and dental benefits. Based on the outcome of the Team's Phase IV voting, the Team recommended an exclusive self-funded contract arrangement for medical benefits with SelectCare and an exclusive self-funded contract arrangement for dental benefits with NetCare.

This memo presents costs to GovGuam for active employees, retirees, survivors, and foster children. Rates have not yet been developed for inmates.

Current Estimated Annual Premiums for FY 2026 and Proposed Annual Contributions for FY 2027

Below are the total estimated annual costs for FY 2026 and FY 2027 medical, pharmacy, and dental benefits based on enrollment as of February 2026. These total costs include amounts to be paid by both GovGuam and its employees/retirees. Note that the funding rates presented below include pharmacy claims. SelectCare (Optum Rx) was awarded the pharmacy benefits manager (PBM) contract in a separate solicitation.

The contributions for FY 2026 are estimated using the FY 2026 funding rates by plan and February 2026 enrollment.

FIGURE 1: ESTIMATED ANNUAL FUNDING RATES FOR FY 2026 AND FY 2027 ($ MILLIONS)

	Current	Recommendation
	FY 2026	FY 2027
Medical and pharmacy TPA	**SelectCare**	**SelectCare**
Dental TPA	**NetCare**	**NetCare**
Medical and pharmacy benefits	**$176.4**	**$178.8**
Dental benefits	**$11.4**	**$11.4**
Total medical, pharmacy and dental	**$187.8**	**$190.2**

Note: The amounts shown in this table include expenses for actives, retirees, and foster children. The funding rates presented above include pharmacy costs. Only medical and dental benefits will be awarded through this proposal process. The pharmacy benefits contract was awarded to SelectCare (Optum Rx) through an earlier procurement process.

Savings Achieved Through Negotiations

<u>Administration fees:</u>

Each TPA submitted two proposals:

1. Initial proposals.
2. Best and final offers (BAFOs) following negotiation meetings.

Since GovGuam is negotiating administrative fees for a self-funded program, the direct savings from this solicitation are calculated as changes in the administrative fee proposal from the initial proposals to the BAFOs. Indirect savings come from being able to select the TPA with the most favorable provider networks. They also come from identifying which TPAs are able and willing to be good partners to GovGuam as it administers the benefits.

In response to the Team's request during the negotiation meetings, reduced administrative fees were received from some of the TPAs.

The figure below summarizes the initial proposals and BAFOs PEPM provided by the awarded TPAs for medical and dental administrative fees for FY 2027. Administrative fees to administer the gym benefit are included with the medical fees. The administrative fees quoted for foster children and inmates are the same as those quoted for the PPO, HSA, and RSP plans.

FIGURE 2: INITIAL AND BAFO PROPOSED ADMINISTRATION FEES PEPM

NetCare Dental	SelectCare Medical
BAFO	BAFO
$1.35	**$22.00**

Performance guarantees:

Bidders were asked to propose a list of performance guarantees, along with an amount at risk to the TPA for not meeting the performance guarantees. NetCare and SelectCare both proposed aggregate maximum[1] penalties of $75,000.

Process for FY 2027

The process for FY 2027 required TPAs to submit the following for one-year and three-year contract terms. The purpose of the three-year contract terms was to understand the potential cost advantages associated with multi-year contracting (discussed in the latter part of this memo). However, consistent with Guam's current regulatory requirements, we only considered one-year contract terms for this procurement.

Medical

- Proposals for the administration cost of a self-funded plan for medical benefits, with and without bundled dental benefits.
- Detailed information about provider reimbursement by location (Guam, Philippines, and United States) and provider type (facility vs. professional).

Dental

- Proposals for the administration cost of a self-funded plan, with and without bundled medical benefits.
- Detailed information about provider reimbursement arrangements.

GovGuam asked the TPAs to submit their medical proposals assuming the same medical and dental plan designs as FY 2026.[2]

The RFP was distributed via the Department of Administration's website on March 26, 2026, and receipt was acknowledged by several TPAs.

A number of registered TPAs declined to bid on the FY 2027 RFP process. Proposals were received from the remaining registered TPAs and were screened under the Phase I: Initial Screening criteria.

Consistent with the Phase II: Evaluation provisions of the RFP, the Team evaluated the proposals, scored them, and voted to advance all TPAs to Phase III to negotiate for medical and/or dental benefit for FY 2027.

Milliman assisted the Team in reviewing, comparing, and quantifying the potential operational and financial impacts of each proposal. During Phase III: Negotiations, the Team evaluated the medical and dental proposals. The negotiation meetings focused on having a deep understanding of each bidder's value proposition to GovGuam and provider reimbursement dynamics both on-island and off-island.

During Phase IV: Final Ranking, the Team scored the TPA proposals from the Phase III finalists. Milliman conducted a financial analysis of the TPAs' pricing terms using historical claims costs, a description of pricing arrangements from Exhibit B of each bidder's

[1] The aggregate maximum penalty refers to the sum of the individual penalties included in each bidder's performance guarantee list.
[2] There is one modification to the HSA plan to be compliant with the IRS minimum requirements for deductibles for an individual in a family plan.

proposal, and written responses to clarifying questions. Team members were instructed to consider these calculated funding rates in the final ranking of the pricing terms.

Figure 3 shows the total annual estimated claims costs for each bidder, including projected pharmacy costs to be provided by SelectCare (Optum Rx) as a result of the Pharmacy Benefit Manager RFP process awarded earlier this month. Costs to administer the gym benefit are included with the medical costs. The gym costs reflect GovGuam's actual trended experience instead of the projected gym costs provided by the TPAs in their bid submissions.

FIGURE 3: ESTIMATED FY 2027 CLAIMS COSTS FOR MEDICAL, PHARMACY, AND DENTAL (MILLIONS)

SelectCare Medical and pharmacy claims	NetCare Dental claims
Expected claims	**Expected claims**
$159.7	**$11.0**

Notes:

(1) The amounts shown in this table include expenses for actives, retirees, dependents, and foster children.
(2) Medical expenses were developed separately for providers in Guam, the Philippines, and the United States.
(3) Bidders were assumed to have similar costs for Guam Memorial Hospital and providers in the Philippines.
(4) TPAs reported their reimbursement rates to dental providers in Exhibit B using percentiles of NDAS (National Dental Advisory Service) as a reference point.

Public Law 35-92 amended 4 GCA §4302(c)(9) to require that the Team forward the most economical and beneficial health insurance proposals for the GovGuam employees, retirees, and survivors to the Governor. The Team's recommendation to the Governor is presented in this memo.

Recommendation:
The Team voted to recommend awarding SelectCare the exclusive TPA contract for medical benefits and NetCare the exclusive TPA contract for dental benefits.

Analysis and Recommendations for FY 2027

The Team scored each TPA's medical proposal separately from the dental proposal. Foster children and inmates were grouped with employees, retirees, and survivors for the purpose of selecting TPAs for FY 2027.

During Phase IV, the Team awarded scores to bidders in the following five categories:

1. (30-60 points) Final estimated funding rates for benefit costs (based on consultant analysis using historical claims experience and reimbursement rate information provided in Exhibit B, Questionnaire).
2. (6-15 points) Final negotiated administrative expenses.
3. (0-10 points) Final negotiated vendor's performance standards for which vendor will provide a guarantee subject to financial penalty.

4. (0-10 points) Final satisfaction with the company's ability to provide the required services and be financially sound to provide the program. (Based on scoring in Phase II and any changes from negotiation meetings.)
5. (0-5 points) Final satisfaction with the company's references from three largest employer group clients (including the GovGuam Department of Administration) in past five years and three providers.

During the negotiation meetings, each TPA was asked to outline its value proposition. Highlights of the winning bidders' value propositions are summarized below:

- NetCare emphasized the stability of recent dental claims experience, the high concentration of utilization in Guam, and the predominance of preventive and diagnostic services in overall spending. NetCare also highlighted its administrative capabilities, including enrollment support, customer service, provider relations, claims adjudication, and handling of member overcharge issues. NetCare underscored its local presence, digital tools, and willingness to continue refining services.

- SelectCare focused on its long-standing experience serving GovGuam, the breadth of its provider network, its member service infrastructure, and its medical management and wellness programs. SelectCare highlighted its broad local and off-island provider access, including direct arrangements in Asia and extensive U.S. access through UnitedHealthcare, as well as telemedicine, air ambulance services, wellness incentives, digital enrollment and reconciliation tools, and low volume of complaints. SelectCare explained strategies for steering members to efficient centers of excellence and managing utilization through prior authorization, case management, and hospital review. Attention was given to Medicare-related developments, including confirmation that a Guam pharmacy location had recently become able to bill Medicare Part B, as well as member protections related to provider overcharges, preventive screening access, and gym and wellness participation.

Recommendation and award

Based on the outcome of the Phase IV scoring, the Team voted to recommend that the medical benefit be awarded to SelectCare and the dental benefit be awarded to NetCare. The Governor concurred with the Team's recommendation.

Development of Required Revenue and Rates

The Milliman consulting team developed required revenue by plan and employee using claims experience from FY 2024 and FY 2025, estimates for claims incurred but not paid (IBNP), trend, and various other adjustments to project to FY 2027. A more detailed description of the methodology and data sources was provided to GovGuam in a standalone report on July 29, 2026.

We recommend including a margin on top of our best estimate to improve the likelihood that actual claims are reasonably similar to budgeted claims. We currently include an explicit margin of 2%. We continue to recommend that GovGuam build reserves to protect against claims volatility, such as unexpected high-cost claims or a particularly high-cost year. A contribution to surplus is usually included in the cost build-up during the first few self-funded years and during other times of growth. The surplus is intended to protect GovGuam from losses in the Health Benefits Fund which would have to be transferred to the General Fund. Since GovGuam's goal is to be consistent with other self-funded plans of similar size that take on insurance risk and not rely on transfers from the General Fund, it is recommended to build a reserve equal to at least three months of contributions.

We included an additional 3% in the medical and pharmacy rates to cover the marginal cost of stoploss, which will be negotiated and finalized in the coming months. This value is based on historical premiums and receivables.

In aggregate, the estimated funding rates for FY 2027 are approximately 1.3% greater than the FY 2026 funding rates.

Mitigating Risks of Self-Funding

Similar to how an insurance company can mitigate risks of mispricing and outlier claims, there are strategies for managing the risks associated with self-funding. The goal of these strategies is to try to ensure the amount that GovGuam has budgeted for its health benefits will be sufficient to pay the benefits promised to its members. High-cost claimants are one of the biggest risks against achieving this goal, and individual stoploss coverage is the most frequently used type of insurance to manage this risk.

GovGuam currently has stoploss coverage to protect against self-funding risks. The premium rates for this coverage have decreased over time. GovGuam's data is cleaner and more consistent, so stoploss carriers have more insight into GovGuam's claims risks and can charge a lower risk margin to insure this risk.

GovGuam received preliminary stoploss quotes as part of this procurement process. The Team voted that the DOA, with the assistance of the Milliman team and the selected medical TPA, should finalize stoploss coverage to protect itself against the volatility of high-cost claims.

Recommendation:
The Team voted that the DOA, with the assistance of the Milliman team and the selected medical TPA, should finalize stoploss coverage to protect itself against the volatility of high-cost claims.

Multi-year Contracting

GovGuam received administrative fee proposals for three-year medical and dental contracts. We understand that a multi-year contract would not be permissible without a change in legislation.

The merits of having a multi-year contract include: 1) cost and time efficiencies realized from conducting an RFP every three years rather than every year; 2) a smoother open enrollment process and more consistency in benefits and administrative processes for the members; and 3) time for the contracted TPA to build out custom solutions for GovGuam.

We request that the Guam legislature promote legislation to allow for multi-year contracting beginning with the FY 2028 plan year.

Next Steps

Thank you for the opportunity to present the results of the FY 2027 Group Health Insurance Negotiations. I am available should you have any questions or need additional clarifications. *Si Yu'us Ma'ase.*

Senseramente,

EDWARD M. BIRN
Chairman

Doc. No. 38GL-26-2748.*

EDWARD M. BIRN
Director (Direktot)
RENA K. BORJA
Deputy Director

DEPARTMENT OF ADMINISTRATION
DIPATTAMENTON ATMENESTRASION
DIRECTOR'S OFFICE
(Ufisinan Direktot)
Telephone (*Telifon*): (671) 475-1101/1250

LOURDES A. LEON GUERRERO
Governor (Maga'håga)
JOSHUA F. TENORIO
Lt. Governor (Sigundo Maga'låhi)

Date: August 5, 2026

Honorable Frank Blas Jr.
Speaker
I Mina' Trentai Ocho Na Liheslaturan Guåhan
38th Guam Legislature
Guam Congress Building
163 Chalan Santo Papa
Hagatna, Guam 96910

Subject: FY2027 Group Health Insurance Procurement – Pharmacy

Dear Honorable Speaker:

Buenas yan Hafa Adai! Pharmacy benefit manager (PBM) negotiations for FY 2027 were successfully concluded in accordance with the group health insurance benefit law for active employees, retirees, and survivors of the Government of Guam (GovGuam) found in Chapter 4 of Title 4, Section 4301, Guam Code Annotated. The Government of Guam Health Insurance Negotiating Team (Team) presented the results to the Governor of Guam for a final selection. In this memo, the Team presents the final selected results to the Guam Legislature for pharmacy benefit services for the Government of Guam Group Health Insurance Program for FY 2027.

GovGuam began self-funding pharmacy benefits in FY 2023 by leveraging the PBM contract held by its selected third-party administrator (TPA). This PBM RFP and contract negotiation process represents the next step in GovGuam's self-funded pharmacy benefits strategy. Employers with self-funded pharmacy benefits typically contract directly with PBMs to secure pricing and rebate guarantees, performance guarantees, greater transparency, and access to Employer Group Waiver Plan (EGWP) arrangements that may allow the plan to capture available Medicare Part D subsidies and federal reinsurance.

GovGuam is not currently taking full advantage of CMS funding for Part B drugs. Typically, PBMs handle this by excluding Part B drugs from the pharmacy benefit so they can be billed under the medical benefit instead. However, GovGuam cannot do this effectively right now because there is only one pharmacy on the island that contracts with CMS to bill Part B. While the PBM cannot fully solve this issue, it could potentially help by working with GovGuam to use a mail-order pharmacy.

GovGuam received bids from PBMs to administer and manage the pharmacy benefit component of the Government of Guam's self-funded Group Health Insurance Program for (1) employees, retirees, survivors, and their eligible dependents, (2) foster children under the legal custody of the Child Protective Services Division of the Department of Public Health and Social Services, and (3) individuals confined under the Department of Corrections (DOC). Based on the outcome of the Team's voting, the Team recommended contracting with SelectCare (OptumRx) for PBM services.

This memo presents total estimated costs to GovGuam for active employees, retirees, survivors, and foster children. The PBMs proposed offers on two lines of business: a Commercial line for the active employees, non-Medicare eligible retirees, survivors, and foster children; and an EGWP line for the Medicare eligible population. We assumed all participants in the retiree savings plan (RSP) would be covered by the EGWP plan.

RESULTS OVERVIEW

Qualitative – Operational Considerations

The Team evaluated submissions across the following categories: account management, business, requirements, contractual definitions, contractual terms, clinical, data reporting and technology, financial conditions, financial requirements, laws and regulations, and organizational capabilities. **Quantitative – Estimated Costs**

Below are the total estimated annual costs for FY 2027 based on GovGuam's pharmacy claims utilization from FY 2025 (10/1/2024 – 9/30/2025) and the minimum contractual guarantees. Total estimated costs were calculated as total ingredient cost, dispensing fees, and administrative fees, minus minimum rebate guarantees over the projected period. These costs are before any participant cost sharing, or federal subsidies and reinsurance that may apply to the EGWP line of business.

FIGURE 1: TOTAL ESTIMATED PBM COSTS FOR FY 2027

	SelectCare (OptumRx)
1-Year Cost Projection	**$38,345,000**

Note: Estimated costs shown include GovGuam's active and foster populations (commercial) and retirees (EGWP). Costs are based on the Best and Final Offer.

VALUE ACHIEVED THROUGH NEGOTIATIONS

The bidding PBMs submitted two rounds of proposals: initial proposals in response to the RFP, followed by best and final offers (BAFOs), which reflected each bidder's final proposal after the negotiation meetings.

Contractual Protections Gained

GovGuam's participation in the RFP process resulted in meaningful contractual protections. The previous vendor arrangement was not formalized through a fully executed agreement specific to pharmacy benefits. Through this process, GovGuam gained clearly defined, auditable pricing and rebate guarantees, performance guarantees, and access to EGWP subsidies.

Pricing and rebate guarantees: The proposals received included clearly defined, auditable pricing and rebate guarantees. Notably, both proposals offered 100% pass-through of rebates, clearly defined rebate terms, greater transparency around how rebates would be calculated, reported, and remitted, which strengthens GovGuam's ability to audit and verify rebate payments.

Performance Guarantees: PBM service and implementation performance guarantees obtained via the process benefit GovGuam by establishing clear, measurable standards for operational performance and implementation activities, while providing accountability if those standards are not met. These guarantees help ensure timely and accurate claims administration, responsive customer service, effective reporting, and a well-managed implementation process that minimizes disruption to members and plan operations.

EGWP Subsidies: GovGuam's RSP plan wraps around Medicare for Parts A (hospital/facility) and B (professional), but not Part D (prescription drugs). CMS makes subsidies available to employers who offer Part D coverage to its retirees. Transitioning the RSP members to an EGWP offers meaningful financial advantage to GovGuam. By leveraging CMS subsidies and federal reinsurance under Medicare Part D, GovGuam can reduce net retiree pharmacy costs, mitigate exposure to catastrophic claims and improve budget predictability. The shift from direct self-funding to a Medicare-supported funding structure can strengthen the long-term sustainability of the retiree program and deliver a more favorable overall cost position.

Savings Achieved

The formal negotiation process produced incremental savings from the initial round to the BAFO rounds. SelectCare (OptumRx) improved its offering and produced the lowest estimated cost for FY 2027.

FIGURE 2: TOTAL ESTIMATED COSTS FOR FY 2027 - 1-YEAR COST PROJECTIONS

	SelectCare (OptumRx)
Initial	**$38,453,000**
Best and Final Offer (BAFO)	**$38,345,000**

Note: Estimated costs shown include GovGuam's active, non-Medicare retirees, and foster populations (commercial) and Medicare retirees (EGWP).

MITIGATING RISKS

A carefully negotiated PBM contract can help GovGuam mitigate financial and operational risk by establishing strong oversight, transparency, and pricing protections. Audit rights, regular reporting, and ad hoc reporting capabilities provide the means to monitor claims activity, rebate performance, pricing compliance, utilization trends, and overall contract performance. These tools allow GovGuam to identify issues early, validate that contractual terms are being met, and respond to emerging cost drivers in a timely manner.

A PBM arrangement can also help preserve competitive pricing through pricing guarantees, performance requirements, and periodic market benchmarking. These provisions help ensure that financial terms remain aligned with market conditions over time and reduce the risk of paying above-market rates.

For Medicare-eligible members, an EGWP structure can further reduce payer financial exposure by capturing available federal subsidies and other Medicare Part D funding advantages, which can lower net plan costs.

MULTI-YEAR CONTRACTING

GovGuam considered moving toward a multi-year contract model for pharmacy benefit services beginning FY 2027. However, during last year's TPA RFP, the Office of the Attorney General advised GovGuam that a multi-year contract would not be permissible absent a legislative change. The Department of Administration is working with legislators to advance legislation that would authorize multi-year contracting in future years.

A multi-year PBM contract offers significant advantages, including cost and administrative efficiencies by reducing the need to conduct competitive procurement annually, greater pricing predictability, stronger vendor accountability, and improved operational continuity. It also promotes greater consistency in pharmacy benefit design, formulary administration, and member experience during open enrollment and throughout the plan year, while giving the selected PBM sufficient time to implement and evaluate customized clinical, reporting, and utilization management solutions tailored to GovGuam's needs. In addition, a multi-year arrangement enhances auditability and oversight, reduces disruption for members and stakeholders, and creates broader opportunities to optimize pharmacy benefit strategies over time, including formulary management, rebate arrangements, specialty pharmacy oversight, and other cost-containment initiatives.

A multi-year contract structure would also allow vendors to offset upfront implementation costs more effectively over the life of the agreement, rather than absorbing those expenses within a single contract year. PBM implementation typically involves substantial initial investments related to system configuration, eligibility and claims file integration, benefit setup, testing, member communications, and operational transition support. When these one-time startup costs are spread across multiple years, the overall financial impact is moderated, producing a more efficient cost profile and improving the long-term value of the procurement. By contrast, under a single-year arrangement, implementation costs are concentrated into a shorter period, which can reduce cost efficiency and limit the opportunity to fully realize the return on those initial investments.

PROCUREMENT PROCESS FOR FY 2027

The Department of Administration (DOA) conducted this procurement with the assistance of Milliman, Inc. The RFP was posted on the DOA website and in the newspaper on January 14, 2026.

The RFP was evaluated on two main criteria: quantitative (70%) and qualitative (30%). The financial exhibits addressed important items regarding pricing and financial guarantees, while the qualitative questionnaire evaluated the bidders' operational capabilities.

Qualitative Scoring

The qualitative analysis was based on the bidders' responses to the qualitative questionnaire and a portion of the financial questionnaire. The qualitative analysis was designed to assess the categories in Figure 3 with their corresponding weights:

FIGURE 3: QUALITATIVE ANALYSIS WEIGHTING

General Category	Weighting
Account Management	7.5
Business Requirements	25
Contractual Definitions	7.5
Contractual Terms	7.5
Clinical	7.5
Data Reporting and Technology	7.5
Financial Conditions	7.5

Financial Requirements	7.5
Laws and Regulations	7.5
Organizational	15
Total Points	100

To compare the responses, we utilized a scoring system that measured the strength of each response based on the scoring in Figure 4. The higher the score, the better the overall quality of the responses.

FIGURE 4: QUALITATIVE QUESTIONNAIRE SCORING

Rating	Score
Not Answered	0
Unacceptable	0
Partially Satisfactory	1
Satisfactory	3
Strong	5

Each voting member of the negotiating team independently scored and completed the qualitative evaluation. Milliman compiled each team member's score and normalized the score based on the weights in Figure 3 to create an overall weighted qualitative score.

Quantitative Scoring

Milliman used the following information to conduct the financial projections:

- Detailed claims information for the period of October 1, 2024 – September 30, 2025
- Current pricing and drug lists with SelectCare (OptumRx)
- Pricing proposals and drug lists from bidding PBMs
- Average wholesale price (AWP) discount and rebate exclusion criteria from bidding PBMs

Milliman used GovGuam's pharmacy claims utilization for FY 2025 (October 1, 2024 – September 30, 2025) to project to FY 2027 (October 1, 2026 – September 30, 2027). Milliman applied bidder's proposed pricing terms to the projected claims. Milliman applied adjustments based on proposed contract definitions and terms such as drug type definitions and exclusions. The results of Milliman's cost projections for each of GovGuam's lines of business are shown in Figures 5 and 6 below. Milliman's data sources, methodology, and limitations are available in a supplemental report.

FIGURE 5: BEST AND FINAL OFFERS - FINANCIAL PROJECTION RESULTS (COMMERCIAL)

Contract Components	SelectCare (OptumRx)
Ingredient Cost	$34,025,000
Rebates	($4,496,000)
Dispensing Fees	$364,000
Administrative Fees	$711,000
Total Estimated Costs (Costs + Fees – Rebates)	**$30,604,000**

FIGURE 6: BEST AND FINAL OFFERS - FINANCIAL PROJECTION RESULTS (EGWP)

Contract Components	SelectCare (OptumRx)
Ingredient Cost	$7,465,000
Rebates	($783,000)
Dispensing Fees	$102,000
Administrative Fees	$957,000
Total Estimated Costs (Costs + Fees – Rebates)	**$7,741,000**

The total cost is calculated as ingredient cost plus dispensing fees, plus administrative fees, less rebates over the projection period. These costs are before any member cost sharing and federal subsidies/ reinsurance.

Negotiations and Final Scoring

PBMs were invited to finalist meetings where they were able to present their services and value propositions. PBMs provided updated financial exhibits and responses to questions from the finalist meetings. Milliman presented the updated financial analysis based on the best and final offers (BAFO). The negotiating team then conducted a live scoring, and the results for the selected vendor are shown below in Figure 7.

FIGURE 7: PBM NEGOTIATING TEAM LIVE-SCORING RESULTS

Possible Points	Description	SelectCare (OptumRx)
70	Projected financials based on proposed contract rates and plan's claims history. [70 points for lowest offer; 60 points if costs within 5% of lowest offer; 50 points if costs within 10% of lowest offer; 35 points otherwise]	70
30*	Satisfaction with the company's capability to provide the required services and confidence in overall partnership. (Based on scoring in Phase 2 and any changes from negotiation meetings.) [30 points if full satisfaction to provide the required services; -5 points per noted deficiency]	25
TOTAL		**95**

Note: Average across the voting members

Public Law 35-92 amended 4 GCA §4302(c)(9) requires that the Team forward the most economical and beneficial pharmacy benefit services proposals for the GovGuam employees, retirees, and survivors, to the Governor. The Team's recommendation to the Governor is presented in this memo. The Governor concurred with the Team's recommendation.

RECOMMENDATION

Based on the outcome of the Phase IV scoring, the Team voted to recommend that the pharmacy benefit be awarded to SelectCare (OptumRx).

NEXT STEPS

Thank you for the opportunity to present the results of the FY 2027 PBM Negotiations. I am available should you have any questions or need additional clarifications. *Si Yu'us Ma'ase.*

Senseramente,

Edward M. Birn
Director

Option 2: Employee contribution matches FY 2026

Rate increase by plan		Total annual cost for FY 2026 Total	Gov	Emp/Ret	Total annual cost for FY 2027 Emp/Ret	Gov	Total
HSA Active	4.4%	$26,180,860	$23,770,990	$2,409,870	$2,409,870	$24,923,072	$27,332,943
HSA Retiree	4.4%	$8,888,689	$8,593,702	$294,987	$294,987	$8,984,795	$9,279,782
PPO Active	0.0%	$69,538,006	$54,273,178	$15,264,828	$15,264,828	$54,273,178	$69,538,006
PPO Retiree	0.0%	$44,951,769	$40,911,941	$4,039,827	$4,039,827	$40,911,941	$44,951,769
RSP	0.1%	$23,149,095	$22,966,095	$183,000	$183,000	$22,989,303	$23,172,303
Dental Active	0.1%	$11,367,641	$5,783,773	$5,583,868	$5,583,868	$5,794,709	$11,378,576
Dental Retiree	0.1%	$0	$0	$0	$0	$0	$0
Total annual cost		**$184,076,060**	**$156,299,680**	**$27,776,380**	**$27,776,380**	**$157,876,998**	**$185,653,378**
Percentage increase in cost					**0.0%**	**1.0%**	**0.9%**

Government of Guam
FY 2026 and FY 2027 self-insured group health insurance program rates
Proposed biweekly (active) and semi-monthly (retiree) rates

Plan	Class	Feb. 2026 Employee Counts	FY 2026 Rates Total	Gov	Emp/Ret	FY 2027 Rates Emp/Ret	Gov	Total
HSA Active	I	2,233	$161.29	$159.25	$2.04	$2.04	$166.35	$168.39
	II	390	$322.58	$277.50	$45.08	$45.08	$291.69	$336.77
	III	660	$266.13	$229.92	$36.21	$36.21	$241.63	$277.84
	IV	793	$435.49	$376.66	$58.83	$58.83	$395.82	$454.65
HSA Retiree	I	413	$436.83	$434.62	$2.21	$2.21	$453.84	$456.05
	II	136	$873.66	$824.82	$48.84	$48.84	$863.26	$912.10
	III	46	$550.41	$511.18	$39.23	$39.23	$535.40	$574.63
	IV	46	$995.97	$932.24	$63.73	$63.73	$976.06	$1,039.79
PPO Active	I	2,366	$390.79	$313.43	$77.36	$77.36	$313.43	$390.79
	II	479	$781.58	$588.07	$193.51	$193.51	$588.07	$781.58
	III	852	$644.81	$499.10	$145.71	$145.71	$499.10	$644.81
	IV	783	$1,055.14	$816.01	$239.13	$239.13	$816.01	$1,055.14
PPO Retiree	I	1,023	$1,058.39	$974.58	$83.81	$83.81	$974.58	$1,058.39
	II	217	$2,116.78	$1,907.14	$209.64	$209.64	$1,907.14	$2,116.78
	III	107	$1,333.57	$1,175.72	$157.85	$157.85	$1,175.72	$1,333.57
	IV	78	$2,413.13	$2,154.07	$259.06	$259.06	$2,154.07	$2,413.13
RSP	I	1,670	$247.46	$247.46	$0.00	$0.00	$247.71	$247.71
	IIa	431	$494.93	$494.93	$0.00	$0.00	$495.42	$495.42
	IIb	168	$1,180.03	$1,155.03	$25.00	$25.00	$1,156.21	$1,181.21
	III	57	$448.61	$423.61	$25.00	$25.00	$424.06	$449.06
	IVa	32	$1,426.96	$1,401.96	$25.00	$25.00	$1,403.39	$1,428.39
	IVb	48	$1,426.96	$1,401.96	$25.00	$25.00	$1,403.39	$1,428.39
Dental Active	I	7,687	$23.09	$14.32	$8.77	$8.77	$14.34	$23.11
	II	1,570	$49.65	$21.27	$28.38	$28.38	$21.32	$49.70
	III	1,669	$40.41	$17.63	$22.78	$22.78	$17.67	$40.45
	IV	1,737	$65.82	$28.53	$37.29	$37.29	$28.60	$65.89
Dental Retiree	I		$25.02	$15.97	$9.05	$9.50	$15.54	$25.04
	II		$53.79	$23.65	$30.14	$30.75	$23.09	$53.84
	III		$43.78	$19.59	$24.19	$24.68	$19.14	$43.82
	IV		$71.30	$31.71	$39.59	$40.40	$30.98	$71.38

Prepared by Milliman, Inc.
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